THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular, 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 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.

G·D·C HOLDINGS

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)

PROPOSED MAJOR TRANSACTION
IN RELATION TO
THE CAP AMOUNT FOR THE CONSTRUCTION OF THE BUILDING

This circular will remain on the GEM website at http://www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting.

* *For identification purpose only*

24 April 2009

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.

CONTENTS

Page

Characteristics of GEM i

Definitions 1

Letter from the Board 3

Appendix I – Financial information of the Group 6

Appendix II – Additional financial information of the Group 65

Appendix III – Property valuation report of the Land 79

Appendix IV – General information 85

In this circular, the following expressions shall have the following meanings unless the context indicates otherwise:

"Building"	the building with a gross floor area of approximately 40,795 square meters to be constructed by Shenzhen IDMT on the Land;
"Bureau"	深圳市國土資源和房產管理局 (Shenzhen Municipal Bureau of Land Resources and Housing Management*);
"Cap Amount"	HK$200,000,000, being the maximum amount for the cost of construction of the Building (including the cost of the Land);
"Company"	Global Digital Creations Holdings Limited, a company incorporated in Bermuda with limited liability whose securities are listed on GEM;
"connected person(s)"	has the meaning ascribed to it under the Listing Rules and the GEM Listing Rules (as appropriate);
"Directors"	directors of the Company;
"GEM"	the Growth Enterprise Market of the Stock Exchange;
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM;
"Group"	the Company and its subsidiaries;
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Land"	the piece of land located at 深圳市高新中三路 (Gaoxinzhong Third Road, Shenzhen*), the PRC with a site area of approximately 5,925 square meters;
"Latest Practicable Date"	20 April 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information in the circular;
"Listing Rules"	the Rules Governing the Listing of the Securities on the Stock Exchange;
"PRC"	the People's Republic of China;

* *For identification purpose only*

"Resolution"	the resolution passed by the Shougang Grand Directors and the Directors (as appropriate) on 2 March 2009 to approve the proposed Cap Amount for the construction of the Building;
"RMB"	Renminbi, the lawful currency of the PRC;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Shares"	ordinary shares of HK$0.01 each in the share capital of the Company;
"Shareholders"	shareholders of the Company;
"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 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;
"Shougang Grand Directors"	directors of Shougang Grand;
"Shougang Grand Shareholders"	shareholders of Shougang Grand;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"%"	per cent.

For illustration purposes, amounts in RMB in this circular have been translated 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.

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)

Directors:
Cao Zhong *(Chairman)*
Chen Zheng *(Managing Director)*
Jin Guo Ping *(Deputy Managing Director)*
Lu Yi, Gloria *(Deputy Managing Director)*
Leung Shun Sang, Tony *(Non-executive Director)*
Kwong Che Keung, Gordon *(Independent Non-executive Director)*
Hui Hung, Stephen *(Independent Non-executive Director)*
Japhet Sebastian Law *(Independent Non-executive Director)*

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

24 April 2009

To the Shareholders

Dear Sir or Madam,

PROPOSED MAJOR TRANSACTION IN RELATION TO THE CAP AMOUNT FOR THE CONSTRUCTION OF THE BUILDING

INTRODUCTION

On 3 March 2009, the Company announced in a joint announcement with Shougang Grand that Shenzhen IDMT, a wholly-owned subsidiary of the Company, plans to construct the Building to house the research, development and production centre of its multi-media digital contents and computer graphic business. It is currently estimated that the cost for constructing the Building, including the cost of the Land, will be approximately HK$200 million.

The purpose of this circular is to provide you with information in respect of, among other things, the details of the Building.

* *For identification purpose only*

THE PROPOSED CONSTRUCTION OF THE BUILDING

On 28 June 2007, Shenzhen IDMT, a wholly-owned subsidiary of the Company, has acquired from the Bureau the land use right of a piece of land with a gross area of approximately 5,925 square meters located at 深圳市高新中三路 (Gaoxinzhong Third Road, Shenzhen*), the PRC, for a term of 50 years. The consideration paid by Shenzhen IDMT for the Land is approximately RMB5,262,000 (equivalent to approximately HK$5,977,000).

Since the acquisition of the Land in 2007, Shenzhen IDMT has been preparing the budget and the preliminary designs for the construction of the Building. The Land is for industrial purposes and Shenzhen IDMT plans to construct the Building to house the research, development and production centre of its multi-media digital contents and computer graphic business. The Building will be designed to have a gross floor area of approximately 40,795 square meters. According to the budget prepared by an independent consultant engaged by Shenzhen IDMT in respect of the Building, the total cost for the construction of the Building is estimated to be approximately HK$200 million, based on the costs of the Land and construction costs of the Building. Such costs will be satisfied by the internal resources of the Group and bank borrowings. The Building is expected to be completed in 2010.

The construction of the Building will involve Shenzhen IDMT negotiating and entering into numerous contracts with independent third parties concerning various aspects of the construction, which may be subject to disclosure and/or shareholders approval requirements under the Listing Rules and the GEM Listing Rules. The Shougang Grand Directors and the Directors consider that it would be too costly and impractical to make disclosure of the relevant transactions, and would seek prior approval from the Shougang Grand Shareholders and the Shareholders as required by the Listing Rules and/or the GEM Listing Rules for contracts to be entered with regard to the construction of the Building. The Shougang Grand Directors and the Directors thus passed the Resolution to seek from their respective shareholders' approvals for a cap amount of HK$200 million for the construction of the Building, including the cost of the Land. Each of Shougang Grand and the Company will comply with the requirements of the Listing Rules and the GEM Listing Rules respectively if for any reasons the cost of construction of the Building exceeds the Cap Amount or where any of the contracts in relation to the construction of the Building is entered into with a connected person of either Shougang Grand or the Company which constitute non-exempt connected transaction(s) under the Listing Rules and/or the GEM Listing Rules.

The contracts to be entered into by Shenzhen IDMT in relation to the construction of the Building will be on an arm's length basis and are of the types that are entered into in the usual course of construction of the Building.

REASONS FOR THE TRANSACTION

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

In order to secure the Company's leading position in the development of digital contents in the PRC, Shougang Grand and the Company are committed to introduce new and advanced technologies into the PRC, extend its product range, expand its production capacity, and enhance its product quality and service standards. The construction of the Building will enable the Company to house the research,

* *For identification purpose only*

development and production centre of the multi-media digital contents and computer graphic business of the Company and also expand its research, development and production facility. The Directors (including the independent non-executive Directors) are of the view that the construction of the Building is in line with the present strategy of the Company, which is to continue to develop its digital content business. The Directors also believe that the Cap Amount for the construction of the Building is fair and reasonable and it is in the interest of the Shareholders to approve the Cap Amount for the construction of the Building.

FINANCIAL EFFECT OF THE TRANSACTION

Immediately upon completion of the construction of the Building for a cap amount of HK$200 million and assuming HK$40 million to be satisfied by the internal resources of the Group and the remaining HK$160 million by bank borrowings, the total assets and the total liabilities of the Group will be both increased by HK$160 million. The Company considers that there will not be any material effect on the earnings of the Group immediately upon completion of the construction of the Building.

GENERAL

The Cap Amount for the construction of the Building constitutes a major transaction for the Company under the GEM Listing Rules. Accordingly, the Cap Amount for the construction of the Building is subject to the approval of the Shareholders.

As at the date of the Resolution, Shougang Grand was indirectly interested in approximately 52.6% of the Company. To the best of their knowledge, information and belief of the Directors, and having made all reasonable enquiry, none of the Shareholders has a material interest in the proposed construction of the Building and is required to abstain from voting for the resolutions to approve the Cap Amount for the construction of the Building. Shougang Grand (through its wholly-owned subsidiaries), which was interested in approximately 52.6% in the Company as at the date of the Resolution, issued a written certificate to the Company on 2 March 2009 to approve the Cap Amount for the construction of the Building pursuant to Rule 19.44 of the GEM Listing Rules in lieu of resolutions to be passed at the Shareholders' meeting.

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

By order of the Board
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 2006, 2007 and 2008 extracted from the annual reports of the Company for the years ended 2007 and 2008.

Results

	For the year ended 2006 *HK$'000*	**For the year ended 2007** *HK$'000*	**For the year ended 2008** *HK$'000*
Revenue	54,920	246,125	120,180
Cost of sales	(30,135)	(165,544)	(106,042)
Gross profit	24,785	80,581	14,138
(Loss) profit before tax	(30,245)	24,568	(78,330)
Income tax (expense) credit	–	(3,099)	2,183
(Loss) profit for the year	(30,245)	21,469	(76,147)
Attributable to:			
Equity holders of the Company	(30,245)	18,302	(71,688)
Minority interests	–	3,167	(4,459)
	(30,245)	21,469	(76,147)
(Loss) earnings per share			
Basic	(3.78 HK cents)	1.62 HK cents	(5.53 HK cents)
Diluted	N/A	1.57 HK cents	N/A

Financial position

	As at 31 December 2006	As at 31 December 2007	As at 31 December 2008
	HK$'000	*HK$'000*	*HK$'000*
Total assets	26,501	528,477	499,058
Total liabilities	(181,210)	(93,286)	(121,106)
Net (liabilities) assets	(154,709)	435,191	377,952
Equity attributable to equity holders of the Company	(155,026)	358,036	305,031
Share options reserve of a subsidiary	317	15,988	15,838
Minority interests	–	61,167	57,083
Total equity	(154,709)	435,191	377,952

AUDITED FINANCIAL INFORMATION FOR YEAR ENDED 31 DECEMBER 2008

The following is a summary of the audited financial statements of the Group for the year ended 31 December 2008 as extracted from the published 2008 annual report of the Company.

Consolidated Income Statement

For the year ended 31 December 2008

		2008	2007
	Notes	*HK$'000*	*HK$'000*
Revenue	7	120,180	246,125
Cost of sales		(106,042)	(165,544)
Gross profit		14,138	80,581
Other income	10	3,066	14,413
Distribution costs and selling expenses		(9,035)	(7,720)
Administrative expenses		(60,073)	(99,878)
Changes in fair value of held-for-trading investments		(939)	–
Finance costs	11	(2,428)	(4,002)
Share of loss of an associate		(857)	(298)
Other expense	12	(22,202)	–
Discount on acquisition of additional interest in a subsidiary	38	–	1,342
Gain on dilution of interest in a subsidiary	13	–	40,130
(Loss) profit before tax		(78,330)	24,568
Income tax credit (expense)	14	2,183	(3,099)
(Loss) profit for the year	15	(76,147)	21,469
Attributable to:			
Equity holders of the Company		(71,688)	18,302
Minority interests		(4,459)	3,167
		(76,147)	21,469
		HK cents	*HK cents*
(Loss) earnings per share	17		
Basic		(5.53)	1.62
Diluted		N/A	1.57

Consolidated Balance Sheet
At 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	18	28,265	14,780
Intangible asset	19	244,111	221,545
Available-for-sale investment	20	–	–
Prepaid lease payments	21	5,924	5,612
Interest in an associate	22	21,856	424
Advance	44(a)	68,182	–
Pledged bank deposit	29	665	–
Advance paid for acquisition of intangible asset		–	35,581
		369,003	277,942
Current assets			
Inventories	23	15,682	6,761
Production work in progress	24	–	–
Amounts due from customers for contract work	25	16,935	1,494
Trade receivables	26	7,375	11,502
Prepayments, deposits and other receivables		13,436	11,434
Prepaid lease payments	21	125	114
Amount due from an associate	27	–	1,053
Held-for-trading investments	28	1,539	–
Pledged bank deposit	29	2,808	7,800
Bank balances and cash	29	72,155	210,377
		130,055	250,535

	Notes	2008 HK$'000	2007 HK$'000
Current liabilities			
Income received in advance		26,792	10,189
Amounts due to customers for contract work	25	1,763	1,440
Trade payables	30	6,874	4,197
Other payables and accruals		26,622	18,596
Amounts due to fellow subsidiaries	31	13,315	2,553
Amounts due to directors	32	–	2,912
Amounts due to other related parties	33	–	877
Tax liabilities		967	3,099
Loan from a fellow subsidiary			
– due within one year	34	30,000	35,000
Obligations under finance leases	35	–	525
Secured bank borrowing			
– due within one year	36	14,773	13,898
		121,106	93,286
Net current assets		8,949	157,249
Net assets		377,952	435,191
Capital and reserves			
Share capital	37	12,952	12,952
Share premium and reserves		292,079	345,084
Equity attributable to equity holders of the Company		305,031	358,036
Share options reserve of a subsidiary		15,838	15,988
Minority interests		57,083	61,167
Total equity		377,952	435,191

Consolidated Statement of Changes in Equity

For the year ended 31 December 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	Accumulated (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*
			(Note a)	*(Note b)*	*(Note c)*			*(Note d)*					
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 in 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 sharebased 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)

	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**	**Accumulated (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*
			(Note a)	*(Note b)*	*(Note c)*			*(Note d)*					
At 31 December 2007 and 1 January 2008	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	–	–	–	–	–	–	18,533	–	–	18,533	–	375	18,908
Loss for the year	–	–	–	–	–	–	–	–	(71,688)	(71,688)	–	(4,459)	(76,147)
Total recognised income (expense) for the year	–	–	–	–	–	–	18,533	–	(71,688)	(53,155)	–	(4,084)	(57,239)
Sub-total	12,952	589,670	445	40,271	680	39,261	21,599	(46,366)	(353,631)	304,881	15,988	57,083	377,952
Reduction of share premium account *(Note e)*	–	(589,670)	–	589,670	–	–	–	–	–	–	–	–	–
Elimination of accumulated losses *(Note e)*	–	–	–	(384,060)	–	–	–	–	384,060	–	–	–	–
Cancellation of share options granted	–	–	–	–	–	(496)	–	–	496	–	–	–	–
Cancellation of share options granted by a subsidiary	–	–	–	–	–	–	–	–	150	150	(150)	–	–
At 31 December 2008	12,952	–	445	245,881	680	38,765	21,599	(46,366)	31,075	305,031	15,838	57,083	377,952

Notes:

(a) Capital contribution reserve represents accumulated effect of 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, and the transfers as mentioned in note (e) below.

(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 2008 represents general reserve fund of IDMT Shenzhen of approximately HK$680,000 (2007: 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 disposal of the subsidiary (see Note 38).

(e) 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 whereby 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 becoming 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. The Company 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.

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	2008	2007
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
(Loss) profit before tax	(78,330)	24,568
Adjustments for:		
Amortisation of intangible asset	28,491	–
Share-based payment expense	–	57,402
Depreciation	4,865	1,088
Allowance for bad and doubtful debts	386	230
Allowance for inventories	1,031	–
Amortisation of prepaid lease payments	125	68
Loss (gain) on disposal of property, plant and equipment	11	(20)
Changes in fair value of held-for-trading investments	939	–
Finance costs	2,428	4,002
Share of loss of an associate	857	298
Interest income	(2,237)	(6,252)
Gain on disposal of intangible asset	(104)	–
Gain on dilution of interest in a subsidiary	–	(40,130)
Discount on acquisition of additional interest in a subsidiary	–	(1,342)
Operating cashflow before movements in working capital	(41,538)	39,912
Increase in inventories	(9,952)	(4,292)
(Increase) decrease in amounts due from customers for contract work	(13,549)	168
Decrease (increase) in trade receivables	3,827	(138,328)
Increase in prepayments, deposits and other receivables	(2,002)	(7,754)
Increase in held-for-trading investments	(2,478)	–
Increase in income received in advance	16,813	3,733
Increase in amounts due to customers for contract work	338	227
Increase in trade payables	2,677	1,359
Increase (decrease) in other payables and accruals	7,906	(11,340)
Decrease in amounts due to fellow subsidiaries	(4,141)	(540)
(Decrease) increase in amounts due to directors	(2,912)	604
NET CASH USED IN OPERATING ACTIVITIES	(45,011)	(116,251)

	2008 *HK$'000*	2007 *HK$'000*
INVESTING ACTIVITIES		
Advance to a third party	(68,182)	–
Investment in an associate	(21,084)	(722)
Purchase of property, plant and equipment	(20,130)	(12,762)
Acquisition of intangible asset	(548)	(88,633)
Prepaid lease payments	(87)	(5,794)
Advance paid for acquisition of intangible asset	–	(35,581)
Decrease (increase) in pledged bank deposits	4,327	(7,800)
Interest received	2,237	6,252
Proceeds from disposal of intangible asset	1,250	–
Repayment from (advance to) an associate	1,053	(1,053)
Proceeds from disposal of property, plant and equipment	–	20
NET CASH USED IN INVESTING ACTIVITIES	(101,164)	(146,073)
FINANCING ACTIVITIES		
New bank loan raised	14,773	13,898
Advance received from a fellow subsidiary	13,600	–
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 in a subsidiary	–	2,614
Net repayment of loan from a fellow subsidiary	(5,000)	(66,360)
Repayment of advance from other related parties	(908)	(2,440)
Repayment of bank loan	(13,898)	(10,000)
Interest paid	(1,094)	(3,850)
Repayment of obligations under finance leases	(525)	(1,448)
Repayment to shareholders	–	(339)
Repayment of other loans	–	(18,295)
NET CASH FROM FINANCING ACTIVITIES	6,948	458,374
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(139,227)	196,050
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	210,377	8,596
Effect of Foreign Exchange Rate Changes	1,005	5,731
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	72,155	210,377

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

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 readers.

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

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible hedged items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[5]
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners[3]
HK(IFRIC) – Int 18	Transfers of Assets from Customers[6]

1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2009
3 Effective for annual periods beginning on or after 1 July 2009
4 Effective for annual periods beginning on or after 1 July 2008
5 Effective for annual periods beginning on or after 1 October 2008
6 Effective for transfers on or after 1 July 2009

The application of HKFRS 3 (Revised) may affect the accounting for business combinations 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. The directors of the Company (the "Directors") anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and 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 except for certain financial instruments, which are measured at fair values, 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 and 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.

Royalty income from share of box office receipts is recognised when the digital motion pictures are exhibited using the digital cinema equipment sold by the Group and the right to receive a certain percentage on the relevant box office receipts has been established.

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

Technical service income is recognised when the service is provided.

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 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 (other than construction in progress) 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 (other than construction in progress) over their estimated useful lives and after taking into account of their estimated residual value, using the straight line method.

Construction in progress includes property in the course of construction for its own use purposes as well as self-constructed investment property. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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 other payables. 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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

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.

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 one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), 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.

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 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.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss

Financial asset at FVTPL represents financial assets held-for-trading. A financial asset is classified as heldfor–trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

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 advance, trade receivables, other receivables, amount due from an associate, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of 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 FVTPL, 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 of financial assets below.)

Impairment of financial assets

Financial assets, other than those at FVTPL, 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 affected.

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 loans and receivables, 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, 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 receivables, 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 receivable 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 and other related parties, secured bank borrowing and loan from a fellow subsidiary 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 profits or losses.

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, with a corresponding increase in equity (share option reserve), when the counterparties render services, unless the services qualify for recognition as assets.

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 2008, the carrying amount of intangible asset was approximately HK$244,111,000 (2007: HK$221,545,000). 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 and fair value of the intangible asset less cost to sell. The amount of the impairment loss is measured as the difference between the asset's carrying amount and higher of the present value of estimated future cash flows discounted at a suitable discount rate or the fair value less cost to sell. Where the actual future cash flows or the net selling price are less than expected, an impairment loss may arise.

During the year ended 31 December 2008 and 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 2008 and 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

	2008	2007
	HK$'000	*HK$'000*
Financial assets		
Financial assets at FVTPL	1,539	–
Loans and receivables (including cash and cash equivalents)	152,733	237,310
Financial liabilities		
Amortised cost	80,084	67,722

5b. Financial risk management objectives and polices

The Group's major financial instruments include advance, trade receivables, other receivables, amount due from an associate, held-for-trading investments, pledged bank deposits, bank balances and cash, trade payables, other payables, amounts due to fellow subsidiaries, directors and other related parties, secured bank borrowing and loan from a fellow subsidiary. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price 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, 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 exposures. However, if necessary, the Group will consider using forward exchange contracts to hedge against foreign currency exposures. As at 31 December 2008 and 2007, 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 market interest rate on certain variable rate bank balances as disclosed in note 29 and variable rate secured bank borrowing as at 31 December 2008 as disclosed in note 36, which carry interest at prevailing market interest rates and the People's Bank of China Renminbi Lending Rate, respectively.

The Group's fair value interest rate risk relates primarily to its fixed rate secured bank borrowing as at 31 December 2007 as disclosed in note 36 and fixed rate loan from a fellow subsidiary as disclosed in note 34. 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.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the People's Bank of China Renminbi Lending Rate arising from the Group's Renminbi denominated bank borrowing.

Interest rate sensitivity

At the balance sheet date, if interest rate had been 100 basis points higher/lower and all other variables were held constant, the Group's loss after tax for the year ended 31 December 2008 would decrease/increase by approximately HK$248,000 (2007: increase/decrease in profit after tax by approximately HK$1,861,000).

The Group's sensitivity to market interest rate was increased from prior year.

(iii) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The Group currently does not use any derivative contracts to hedge its exposure to other price risk. However, the management will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If the prices of the respective equity instruments had been 5% higher/lower, loss after tax for the year ended 31 December 2008 would decrease/increase by approximately HK$77,000 (2007: Nil) as a result of the changes in fair value of held-for-trading investments.

The Group's sensitivity to held-for-trading investments has increased from the prior year.

Credit risk

As at 31 December 2008 and 2007, 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 Group's credit risk is also attributable to advance paid to a third party as disclosed in note 44(a). The management of the Company reviews the recoverability of the amount at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amount. In this regards, the Directors consider that the Group's credit risk is significantly reduced.

The credit risk on pledged bank deposits 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 for its trade receivables by geographical locations is mainly in the United States, which accounted for 25% (2007: 55%) of the total trade receivable as at 31 December 2008.

The Group has concentration of credit risk as 21% (2007: 40%) and 60% (2007: 86%) of the total trade receivables was due from the Group's largest customer and the five largest customers, respectively.

The Group has a concentration of credit risk arising from the advance due from a single counterparty as disclosed in note 44(a).

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	Total undiscounted cash flows as at 31.12.2008	Carrying amount at 31.12.2008
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities						
Trade payables	–	3,686	1,639	1,549	6,874	6,874
Other payables	–	5,421	945	8,756	15,122	15,122
Amounts due to fellow subsidiaries	–	13,315	–	–	13,315	13,315
Loan from a fellow subsidiary	6	–	30,300	–	30,300	30,000
Secured bank borrowing	7	–	15,076	–	15,076	14,773
		22,422	47,960	10,305	80,687	80,084

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	Total undiscounted cash flows as at 31.12.2007	Carrying amount at 31.12.2007
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities						
Trade payables	–	2,116	2,081	–	4,197	4,197
Other payables	–	5,188	595	1,977	7,760	7,760
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	3,196	69,901	67,722

5c. Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices; and
- The fair value of the other 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 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 loan from a fellow subsidiary, obligations under finance leases and secured bank borrowing disclosed in notes 34, 35 and 36, 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. These ratios as at 31 December 2008 and 2007 were as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Total debt[(1)]	44,773	49,423
Equity[(2)]	377,952	435,191
Total debt to equity ratio (%)	12	11

The Directors considered that the Group maintained a healthy capital ratio as at 31 December 2008 and 2007 as the total debt to equity ratio was at a relative low level.

Notes:

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

(2) Equity includes 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 sales related taxes, returns and trade discounts), CG creation and production services, revenue arising on training fee, royalty income from share of box office receipts, receipts from exhibition of digital motion pictures, technical service income and rental income from equipment leasing during the year, is as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Sales of goods	51,984	180,715
Revenue from contracts for CG creation and production	42,542	51,300
Training fee	14,420	10,963
Royalty income from share of box office receipts	5,518	–
Receipts from exhibition of digital motion pictures	3,024	–
Technical service income	2,652	3,131
Rental income from equipment leasing	40	16
	120,180	246,125

Included in revenue for the year ended 31 December 2007 was an amount of HK$132,912,000 (2008: Nil) in respect of goods sold in exchange for 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 2008

	CG creation and production *HK$'000*	Digital content distribution and exhibitions *HK$'000*	CG training courses *HK$'000*	Consolidated *HK$'000*
Revenue				
External sales	45,566	60,194	14,420	120,180
Result				
Segment result	5,121	(66,711)	2,510	(59,080)
Unallocated corporate income				2,244
Unallocated corporate expenses				(17,270)
Changes in fair value of held-for-trading investments				(939)
Finance costs				(2,428)
Share of loss of an associate	–	(857)	–	(857)
Loss before tax				(78,330)
Income tax credit				2,183
Loss for the year				(76,147)

For the year ended 31 December 2008

	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	17,750	39,345	1,453	38	58,586
Other expense *(Note 12)*	–	22,202	–	–	22,202
Depreciation	2,475	1,442	736	212	4,865
Allowance for bad and doubtful debts	–	–	386	–	386
Allowance for inventories	–	1,031	–	–	1,031
Loss on disposal of property, plant and equipment	11	–	–	–	11
Gain on disposal of intangible asset	–	104	–	–	104
Amortisation of intangible asset (included in cost of sales)	–	28,491	–	–	28,491
Amortisation of prepaid lease payments	125	–	–	–	125

At 31 December 2008

	CG creation and production	Digital content distribution and exhibitions	CG training courses	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
BALANCE SHEET				
Assets				
Segment assets	23,883	374,957	4,267	403,107
Interest in an associate	–	21,856	–	21,856
Unallocated corporate assets				74,095
Consolidated total assets				499,058
Liabilities				
Segment liabilities	31,694	32,253	4,864	68,811
Unallocated corporate liabilities				52,295
Consolidated total liabilities				121,106

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	**Digital content distribution and exhibitions**	**CG training courses**	**Corporate**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
OTHER INFORMATION					
Capital additions	10,892	225,121	2,734	1,354	240,101
Depreciation	132	115	351	490	1,088
Allowance for bad and doubtful debts	230	–	–	–	230
Gain on disposal of property, plant and equipment	20	–	–	–	20
Amortisation of prepaid lease payments	68	–	–	–	68
Share-based payment expense	–	15,914	–	41,488	57,402

At 31 December 2007

	CG creation and production	**Digital content distribution and exhibitions**	**CG training courses**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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

(b) Geographical segments

The Group's three business segments operate in four main geographical areas, namely the PRC, the United States, Europe and other regions. The head office of the Group is located in Hong Kong. The Group's CG creation and production centres and the CG training facilities are located in the PRC. Customers of the Group's digital content distribution and exhibitions business are mainly located in the PRC, the United States 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.

	2008	**2007**
	HK$'000	*HK$'000*
The PRC	55,523	141,721
United States	36,434	68,073
Europe	12,076	12,962
Other regions	16,147	23,369
	120,180	246,125

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

	Segment assets		**Capital additions**	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
The PRC	465,128	319,816	58,038	236,239
Hong Kong	29,494	204,174	397	3,049
United States	342	1,986	137	177
Singapore	4,094	2,501	14	636
Total	499,058	528,477	58,586	240,101

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the 9 (2007: 10) Directors were as follows:

		Year ended 31 December 2008			
		Fees	Salaries and other benefits	Retirement benefits schemes contributions	Total
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors:					
Cao Zhong		–	1,500	8	1,508
Chen Zheng		–	1,690	12	1,702
Jin Guo Ping		–	1,170	12	1,182
Lu Yi, Gloria		–	2,680	12	2,692
		–	7,040	44	7,084
Non-executive Director:					
Leung Shun Sang, Tony		190	–	–	190
Independent non-executive Directors:					
Kwong Che Keung, Gordon		240	–	–	240
Hui Hung, Stephen		240	–	–	240
Japhet Sebastian Law	(a)	80	–	–	80
Bu Fan Xiao	(b)	160	–	–	160
		720	–	–	720
		910	7,040	44	7,994

Notes:

(a) Appointed on 1 September 2008.

(b) Resigned on 1 September 2008.

In the year ended 31 December 2008, Mr. Cao Zhong waived emoluments of approximately HK$604,000. No other Directors waived any emoluments in the year ended 31 December 2008.

		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
Hui Hung, Stephen		150	569	–	–	719
Bu Fan Xiao		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.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, four (2007: four) were the Directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining one (2007: one) highest paid individuals were as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Salaries and other benefits	2,430	2,560
Retirement benefits schemes contributions	12	12
Share-based payment	–	11,387
	2,442	13,959

10. OTHER INCOME

	2008	**2007**
	HK$'000	*HK$'000*
Interest income	2,237	6,252
Sundry income *(Note)*	829	8,161
	3,066	14,413

Note: Sundry income for the year ended 31 December 2007 mainly 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 approximately HK$3,228,000, respectively.

11. FINANCE COSTS

	2008	**2007**
	HK$'000	*HK$'000*
Interest on:		
Loan from a fellow subsidiary	1,303	3,402
Bank borrowing wholly repayable within five years	1,078	353
Loan from other related party *(Note 33(b))*	31	152
Finance leases	16	92
Others	–	3
	2,428	4,002

12. OTHER EXPENSE

Other expense for the year ended 31 December 2008 represents an one-off payment to China Film Group Corporation ("CFGC"), the majority shareholder of an associate of the Group, for the acquisition of certain of its film distribution rights in the PRC.

13. GAIN ON DILUTION OF INTEREST IN A SUBSIDIARY

The amount 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 that year.

14. INCOME TAX CREDIT (EXPENSE)

	2008	**2007**
	HK$'000	*HK$'000*
The income tax (credit) expense comprises:		
Current tax:		
Hong Kong	63	904
PRC Enterprise Income Tax ("EIT")	–	2,195
	63	3,099
Overprovision in prior year:		
PRC EIT	(2,246)	–
	(2,183)	3,099

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year.

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

On 16 March 2007, the PRC promulgated the Law of the PRC on EIT (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. Under the New Law and Implementation Regulation, the EIT rate of certain Group's subsidiaries operating in the PRC was either reduced from 33% to 25% or was increased from 15% to 25% progressively from 1 January 2008 onwards. The relevant tax rates for the Group's subsidiaries in the PRC ranged from 18% to 25% (2007: 15% to 33%).

For the year ended 31 December 2008, no provision for PRC EIT has been made in the consolidated income statement as the PRC subsidiaries were either exempted from PRC EIT or did not have assessable profits for the year. In 2008, a PRC subsidiary was granted two years tax exemption for the financial years ended 2007 and 2008, a provision for PRC EIT of approximately HK$2,246,000 made in 2007 was therefore reversed in the consolidated income statement for current financial year.

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

	2008	**2007**
	HK$'000	*HK$'000*
(Loss) profit before tax	(78,330)	24,568
Tax calculated at Hong Kong Profits Tax rate of 16.5% (2007: 17.5%)	(12,924)	4,299
Tax effect of income not taxable for tax purposes	(530)	(9,547)
Tax effect of expenses not deductible for tax purpose	7,739	7,430
Tax effect of tax losses not recognised	7,462	674
Utilisation of tax losses previously not recognised	(211)	(2,058)
Tax effect of temporary differences arising from unrealised profits resulting from intra-group transactions not recognised	–	2,961
Utilisation of temporary differences arising from unrealised profits resulting from intra-group transactions previously not recognised	(279)	–
Effect of tax exemption granted to a subsidiary in the PRC	(1,068)	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	(3)	(436)
Overprovision in prior year	(2,246)	–
Others	(123)	(224)
Income tax (credit) expense for the year	(2,183)	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:

	2008	**2007**
	HK$'000	*HK$'000*
Unrealised profits resulting from intra-group transactions	15,228	16,920
Estimated tax losses that may be carried forward	56,753	12,808
	71,981	29,728

15. (LOSS) PROFIT FOR THE YEAR

	2008 *HK$'000*	2007 *HK$'000*
(Loss) profit for the year has been arrived at after charging:		
Staff costs, including directors' emoluments *(Note 9(a))*:		
– Salaries, wages and other benefits	75,342	61,148
– Retirement benefit scheme contributions	2,416	1,624
– Share-based payment expense	–	57,402
Total staff costs	77,758	120,174
Less: amounts included in contracts work in progress	(10,526)	(13,612)
	67,232	106,562
Allowance for bad and doubtful debts	386	230
Allowance for inventories	1,031	–
Amortisation of intangible asset (included in cost of sales)	28,491	–
Amortisation of prepaid lease payments	125	68
Auditor's remuneration	2,061	1,743
Cost of inventories recognised as an expense	35,574	137,819
Depreciation	7,337	3,137
Less: amounts included in contracts work in progress	(1,904)	(1,514)
government grants	(568)	(535)
	4,865	1,088
Exchange loss, net	–	109
Loss on disposal of property, plant and equipment	11	–
Minimum lease payments under operating leases for land and buildings	5,625	6,004
Less: amounts included in contracts work in progress	(916)	(1,917)
	4,709	4,087
Research and development costs	2,843	4,432
and after crediting:		
Exchange gain, net	406	–
Gain on disposal of intangible asset	104	–
Gain on disposal of property, plant and equipment	–	20
Interest income	2,237	6,252

16. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2008, nor has any dividend been proposed since the balance sheet date (2007: Nil).

17. (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:

	2008	**2007**
	HK$'000	*HK$'000*
(Loss) earnings		
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share ((Loss) profit for the year attributable to equity holders of the Company)	(71,688)	18,302

	2008	**2007**
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	1,295,246	1,132,828
Effect of dilutive potential ordinary shares: Options	–	30,608
Weighted average number of ordinary shares for the purposes of diluted (loss) earnings per share	1,295,246	1,163,436

No diluted loss per share has been calculated for the year ended 31 December 2008 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	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST						
At 1 January 2007	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
Exchange realignment	1,620	202	1,415	10	96	3,343
Additions	1,751	588	10,134	289	7,368	20,130
Disposals	(79)	(119)	(13,898)	–	–	(14,096)
At 31 December 2008	30,090	4,763	45,350	1,408	8,983	90,594
DEPRECIATION AND AMORTISATION						
At 1 January 2007	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
Exchange realignment	1,525	68	1,038	9	–	2,640
Provided for the year	1,059	455	5,593	230	–	7,337
Eliminated on disposals	(79)	(108)	(13,898)	–	–	(14,085)
At 31 December 2008	27,384	2,016	32,141	788	–	62,329
CARRYING VALUES						
At 31 December 2008	2,706	2,747	13,209	620	8,983	28,265
At 31 December 2007	1,919	2,491	8,291	560	1,519	14,780

The above items of property, plant and equipment, other than construction in progress, 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
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 (2008: Nil) in respect of assets held under finance leases, which were 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

	HK$'000
COST	
At 1 January 2007	–
Acquisition	221,545
At 31 December 2007	221,545
Exchange realignment	13,834
Acquisition	38,369
Disposal	(1,250)
At 31 December 2008	272,498
AMORTISATION	
At 1 January 2007 and 31 December 2007	–
Charge for the year	28,491
Eliminated on disposal	(104)
At 31 December 2008	28,387
CARRYING VALUE	
At 31 December 2008	244,111
At 31 December 2007	221,545

The intangible asset represents the contractual rights to share a specified percentage of the box office receipts from certain cinemas in the PRC using the digital cinema equipment installed by the Group for exhibition of digital contents. It has finite useful life and is amortised on a straight line basis over the relevant contract up to 10 years.

On 9 January 2009, the Group conditionally agreed to dispose the intangible asset to CFGC for a consideration of RMB223,791,600 (equivalent to approximately HK$254,227,000). Details of which are set out in note 44(b).

20. AVAILABLE-FOR-SALE INVESTMENT

	2008	2007
	HK$'000	*HK$'000*
Unlisted equity securities	–	117
Less: Impairment losses recognised	–	(117)
	–	–

At 31 December 2007, the investment represented 25% equity interest in Production and Partners Multimedia, SAS ("P&PM"), a company incorporated in France. The investment was measured at cost less impairment at each balance sheet date. The investment was accounted for as available-for-sale investment as in the absence of representation in the board of directors of P&PM, the Group did not have significant influence over P&PM. The investment was written-off as at 31 December 2008.

21. PREPAID LEASE PAYMENTS

	2008	2007
	HK$'000	*HK$'000*
COST		
At 1 January	5,794	–
Exchange realignment	365	–
Addition during the year	87	5,794
At 31 December	6,246	5,794
AMORTISATION		
At 1 January	68	–
Exchange realignment	4	–
Charge for the year	125	68
At 31 December	197	68
CARRYING VALUE		
At 31 December	6,049	5,726

The Group's prepaid lease payments comprise:

	2008	2007
Medium-term leasehold land in the PRC	6,049	5,726

Analysed for reporting purposes as:

	2008	2007
Current asset	125	114
Non-current asset	5,924	5,612
	6,049	5,726

22. INTEREST IN AN ASSOCIATE

	2008	2007
	HK$'000	*HK$'000*
Cost of investment in an unlisted associate	21,806	722
Share of post-acquisition exchange reserve	1,205	–
Share of post-acquisition losses	(1,155)	(298)
	21,856	424

As at 31 December 2008 and 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 capital 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 venture Company Limited ("CFGDC")	Sino-foreign equity joint	The PRC	49%	Deployment of digital cinema network and related business

Note: The Group holds 49% of registered capital of CFGDC and holds 2 out of 5 votes (representing 40% of the 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 CFGDC. The Directors considers the Group does not exercise any control over CFGDC but the Group can exercise significant influence over CFGDC. Hence, CFGDC is classified as an associate to the Group.

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

	2008	2007
	HK$'000	*HK$'000*
Total assets	44,639	2,837
Total liabilities	(35)	(1,972)
Net assets	44,604	865
The Group's share of net assets of an associate	21,856	424
Revenue	611	2
Loss for the year	1,749	608
The Group's share of loss of an associate for the year	857	298

23. INVENTORIES

	2008	2007
	HK$'000	*HK$'000*
Raw materials, net of allowance of approximately HK$650,000 (2007: HK$135,000)	6,345	4,395
Finished goods, net of allowance of approximately HK$940,000 (2007: HK$597,000)	9,337	2,366
	15,682	6,761

24. PRODUCTION WORK IN PROGRESS

	2008	2007
	HK$'000	*HK$'000*
Television series, net of allowance of Nil (2007: allowance of approximately HK$14,615,000)	–	–

The amount represents production costs incurred for the television series titled "Panshel's World" (the "TV Series"). As at 31 December 2008 and 2007, there was 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 was uncertain and a full allowance of approximately HK$14,615,000 was made as at 31 December 2004. The amount was written-off as at 31 December 2008.

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

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

	2008	2007
	HK$'000	*HK$'000*
Contract costs incurred plus recognised profits less recognised losses	28,574	19,137
Less: progress billings	(13,402)	(19,083)
	15,172	54
Analysed for reporting purposes as:		
Amounts due from customers for contract work	16,935	1,494
Amounts due to customers for contract work	(1,763)	(1,440)
	15,172	54

26. TRADE RECEIVABLES

	2008	2007
	HK$'000	*HK$'000*
Trade receivables	7,761	11,732
Less: allowance for doubtful debts	(386)	(230)
	7,375	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 the trade receivables, net of allowance for doubtful debts at the balance sheet date:

	2008	2007
	HK$'000	*HK$'000*
Within three months	5,003	9,612
Three to six months	672	1,077
Over six months	1,700	813
	7,375	11,502

Before accepting any new customer, the Group will assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed regularly. In addition, the Group will review the repayment history of trade receivables by each customer with reference to the payment terms to determine the recoverability of trade receivables. Trade receivables that are neither past due nor impaired have good credit quality according to their past repayment history.

Included in the Group's trade receivable balances are debtors with an aggregate carrying amount of approximately HK$2,372,000 (2007: HK$1,890,000) 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:

	2008	2007
	HK$'000	*HK$'000*
Three to six months	672	1,077
Six to nine months	1,241	–
Nine to twelve months	43	282
Over one year	416	531
Total	2,372	1,890

Movement in the allowance for doubtful debts

	2008	2007
	HK$'000	*HK$'000*
Balance at beginning of the year	230	1,660
Allowance for impairment losses on receivables	386	230
Amounts written off as uncollectible	–	(1,660)
Amounts recovered during the year	(230)	–
Balance at end of the year	386	230

Included in the allowance for doubtful debts as at 31 December 2008 and 2007 were individually impaired trade receivables with an aggregate balance of approximately HK$386,000 and HK$230,000, respectively, in respect of which the customers were not fully satisfied with the service provided by the CG training division and the quality of products produced by the CG creation and production division and the amounts were considered uncollectible.

27. AMOUNT DUE FROM AN ASSOCIATE

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

28. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments as at 31 December 2008 represent equity securities listed in Hong Kong. The fair values of the investments are determined based on the quoted market bid prices available on the Stock Exchange.

29. BANK BALANCES/PLEDGED BANK DEPOSITS

Bank balances carry interest at market rates which range from 0.01% to 1.71% per annum (2007: approximately 1.5% per annum). Pledged bank deposits represent deposits pledged to banks to secure a purchase of raw materials agreement (classified as current asset) and a construction agreement (classified as non-current asset) entered into with independent third parties. The pledged bank deposits will be released upon the settlement of the relevant agreements. As at 31 December 2008, the deposits carry interest at 0.1% and 3.22% per annum, respectively (2007: 3.75% per annum).

30. TRADE PAYABLES

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

	2008	2007
	HK$'000	*HK$'000*
Within three months	5,325	3,853
Three to six months	76	344
Over six months	1,473	–
	6,874	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.

31. AMOUNTS DUE TO FELLOW SUBSIDIARIES

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

32. AMOUNTS DUE TO DIRECTORS

The amounts were unsecured, non-interest bearing and were fully settled during the year.

33. AMOUNTS DUE TO OTHER RELATED PARTIES

		2008	**2007**
	Notes	*HK$'000*	*HK$'000*
Global Digital Creations Limited ("GDCL")	(a)	–	422
Mr. Raymond Dennis Neoh	(b)	–	455
		–	877

Notes:

(a) GDCL was 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 was unsecured, non-interest bearing and repayable on demand.

(b) The amount due to Mr. Raymond Dennis Neoh, an ex-director and the younger brother of Mr. Anthony Francis Neoh, who was a shareholder of Shougang Grand, was non-interest bearing and was fully settled during the year. 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$31,000 (2007: HK$152,000) was charged to the consolidated income statement.

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. The loan as at 31 December 2007 was repaid during the year. The loan as at 31 December 2008 is repayable not later than 31 December 2010. However, before 31 December 2008, the Directors determined that the amount would be repaid in February 2009 and, accordingly it was classified as current liability in the consolidated balance sheet.

35. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2008	2007	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable under finance leases:				
Within one year	–	539	–	525
Less: Future finance charges	–	(14)	–	–
Present value of lease obligations and amount due for settlement within 12 months (shown under current liabilities)	–	525	–	525

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

The Group's obligations under finance leases were 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 (2008: Nil). Interest expense paid to South China Leasing during the year ended 31 December 2007 in connection to the finance lease amounted to approximately HK$66,000 (2008: HK$16,000).

36. SECURED BANK BORROWING

	2008	2007
	HK$'000	*HK$'000*
Secured bank loan	14,773	13,898

During the year, the Group obtained a new variable rate bank loan of approximately HK$14,773,000 and repaid a fixed rate bank loan of approximately HK$13,898,000 in accordance with the repayment terms. The new bank loan raised is denominated in Renminbi, secured by pledge of a property of a subsidiary of Shougang Grand, carries interest at the People's Bank of China Renminbi Lending Rate per annum and is repayable within twelve months from the balance sheet date. The interest rate (which are also equal to contracted interest rate) in the Group's bank loan was ranged from 5.797% to 7.076% (2007: fixed rate at 6.73%) per annum. Interest is repricing every month. The proceeds were used as general working capital for the Group.

37. SHARE CAPITAL

	Number of shares	Share capital
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2007	1,200,000,000	12,000
Increase during the year	1,200,000,000	12,000
At 31 December 2007 and 2008	2,400,000,000	24,000
Issued and fully paid:		
At 1 January 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 and 2008	1,295,245,540	12,952

Note: During the year ended 31 December 2007, the Company 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 meeting 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 ranked pari passu with other shares in issue in all respects.

38. 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 any significant difference with their respectively carrying amounts.

Accordingly, a discount on acquisition of additional interest in GDC Technology of approximately HK$1,342,000 arose during the year ended 31 December 2007, 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 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.

39. SHARE OPTION SCHEMES

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. Option is fully vested at the date of grant and 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 remains 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 ended 31 December 2007, 48,300,000 options (2008: Nil) and 19,095,000 options (2008: Nil) had 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 ended 31 December 2008:

				Number of share options				
Category of grantees	Date of grant	Exercise period	Exercise price	Balance as at 1.1.2008	Transferred to other category during the year	Transferred from other category during the year	Cancelled/ lapsed during the year	Balance as at 31.12.2008
Directors	6.10.2006	6.10.2006 – 5.10.2009	HK$0.30	8,809,020	(800,820)	–	–	8,008,200
	30.10.2007	30.10.2007 – 29.10.2012	HK$2.75	28,170,000	(490,000)	–	–	27,680,000
Employees	22.3.2007	22.3.2007 – 21.3.2010	HK$1.07	2,300,000	–	–	–	2,300,000
	4.4.2007	4.4.2007 – 3.4.2010	HK$1.52	2,262,000	–	–	–	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$0.30	2,500,820	–	800,820	(800,820)	2,500,820
	4.4.2007	4.4.2007 – 3.4.2010	HK$1.52	1,781,000	–	–	–	1,781,000
	30.10.2007	30.10.2007 – 29.10.2012	HK$2.75	–	–	490,000	(490,000)	–
Totals				55,722,840	(1,290,820)	1,290,820	(1,290,820)	54,432,020

The following table sets out the movements in the share options of GDC Technology during the year ended 31 December 2008:

				Number of share options		
Category of grantees	**Date of grant**	**Exercise period**	**Exercise price**	**Balance as at 1.1.2008**	**Cancelled/ lapsed during the year**	**Balance as at 31.12.2008**
Directors	29.9.2006	29.9.2006 – 28.9.2009	HK$0.145	3,333	–	3,333
	2.11.2007	2.11.2007 – 1.11.2012	HK$2.00	17,445,000	(165,000)	17,280,000
Employees	5.10.2006	5.10.2006 – 4.10.2009	HK$0.145	4,563,332	(650,000)	3,913,332
	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	(320,000)	853,333
Totals				24,834,998	(1,135,000)	23,699,998

The following table sets out the movements in the Company's share options during the year ended 31 December 2007:

				Number of share options			
Category of grantees	**Date of grant**	**Exercise period**	**Exercise price**	**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 ended 31 December 2007:

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 – 21.11.2012	HK$2.00	–	17,445,000	–	–	17,445,000
Employees	29.9.2006	29.9.2006 – 228.9.2009	HK$0.145	7,466,666	–	(7,466,666)	–	–
	5.10.2006	5.10.2006 – 24.10.2009	HK$0.145	5,313,332	–	–	(750,000)	4,563,332
	2.11.2007	2.11.2007 – 21.11.2012	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 fair value per option of approximately HK$0.58, HK$0.86, HK$0.88 and HK$0.83 for options granted on 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: 22 March 2007	4 April 2007	30 October 2007	2 November 2007
Weighted average share price	HK$1.07	HK$1.52	HK$2.70	HK$2.34
Exercise price	HK$1.07	HK$1.52	HK$2.75	HK$2.00
Expected volatility	89%	97%	68%	51%
Expected life	3 years	3 years	5 years	5 years
Risk-free rate	3.88%	3.89%	3.49%	3.34%
Expected dividend yield	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 had 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 for the year ended 31 December 2007 (2008: Nil) 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 were measured by reference to the fair value of options granted as these other participants render services similar to those as employees.

40. MAJOR NON CASH TRANSACTION

During the year ended 31 December 2007, the Group had goods sold in exchange for intangible asset in the amount of HK$132,912,000 (2008: Nil).

41. OPERATING LEASES

The Group as lessee

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

	2008	**2007**
	HK$'000	*HK$'000*
Within one year	6,710	6,757
In the second to fifth year inclusive	5,413	6,629
Over five years	2,754	3,289
	14,877	16,675

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

42. 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$105,000 (2007: HK$151,000) payable to the Retirement Schemes at 31 December 2008 are included in other payables and accruals. There was no forfeited contribution throughout the year (2007: Nil).

43. CAPITAL COMMITMENTS

	2008	2007
	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	8,350	2,928
Investment in an associate	–	20,954
	8,350	23,882

44. POST BALANCE SHEET EVENTS

Subsequent to 31 December 2008, the Group has entered into the following three transactions:

(a) On 23 December 2008, GDC Holdings entered into a conditional agreement with Southern International Limited (the "Borrower"), a company incorporated in Hong Kong with limited liability, and Keen Front Group Limited, the holding company of the Borrower which is incorporated in the British Virgin Islands, whereby:

(i) GDC Holdings agreed to, and/or procure its designated companies to, make available to the Borrower and/or its designated companies a loan facility in the maximum principal amount of RMB100,000,000 (equivalent to approximately HK$113,600,000) for the purposes of satisfying the obligations of廣州市影逸廣告有限公司("Guangzhou Yingyi"), a company established under the laws of the PRC and is indirectly owned as to 80% by the Borrower, under the agreement entered into between Guangzhou Yingyi and廣東珠江電影文化發展有限公司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 and as working capital of Guangzhou Yingyi. The loan, which carries interest at 6% per annum and matures on 30 June 2012, is secured by a charge in favour of GDC Holdings and/or its designated companies in respect of each of (i), the entire issued capital of the Borrower; (ii) the entire equity interest in寧波影逸信息技術有限公司, which is a wholly-owned subsidiary of the Borrower established under the laws of the PRC; (iii) 80% of the equity interest of Guangzhou Yingyi; and

(ii) the Borrower agreed to grant to GDC Holdings and/or its designated companies the exclusive rights and options to subscribe for an aggregate of up to 60% of the enlarged issued share capital of the Borrower at an exercise price to be determined with reference to the audited consolidated financial statements of the Borrower in respect of each of the 12-month periods beginning on 1 July each year from 2009 to 2012.

As at 31 December 2008, the Group has advanced a sum of RMB60,000,000 (equivalent to approximately HK$68,182,000) to the Borrower and its designated companies. The sum was recognised as advance in the consolidated balance sheet.

The transaction was subsequently approved by shareholders of the Company at the Special General Meeting of the Company on 17 February 2009. Upon the agreement becoming effective, the advance formed part of the loan.

Details of the transaction are set out in the circular of the Company dated 23 January 2009.

(b) On 9 January 2009, the Group conditionally agreed to dispose the intangible asset which represents the contractual rights to share a specific percentage of the box office receipts from certain cinemas in the PRC using the 445 units of digital cinema equipment installed by the Group to CFGC for a consideration of RMB223,791,600 (equivalent to approximately HK$254,227,000). The consideration should be payable by CFGC in cash to the Group in the following manner:

(i) a sum of RMB100,000,000 (equivalent to approximately HK$113,600,000) should be payable within 3 days upon the agreement became effective; and

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

– RMB50,000,000 (equivalent to approximately HK$56,800,000) shall be payable on or before 1 June 2009;

– RMB50,000,000 (equivalent to approximately HK$56,800,000) shall be payable on or before 1 September 2009; and

– RMB23,791,600 (equivalent to approximately HK$27,027,000) shall be payable on or before 1 December 2009.

The transaction was subsequently approved by shareholders of the Company at the Special General Meeting of the Company on 17 February 2009 and part of the consideration of RMB100,000,000 (equivalent to approximately HK$113,600,000) was received from CFGC on 24 February 2009.

Details of the transaction are set out in the circular of the Company dated 23 January 2009.

The Directors are still estimating the potential impact of the transaction.

(c) On 2 March 2009, Shougang Grand approved a cap amount of HK$200 million for the construction by the Group of a building in Shenzhen, including the land cost, with a gross floor area of approximately 40,795 square meters. Details of the aforesaid arrangement are set out in the announcement of the Company dated 3 March 2009.

Up to the date of this report, the Group has entered into a contract for the mentioned construction for a consideration of approximately RMB168,800,000 (equivalent to approximately HK$191,800,000).

45. RELATED PARTY TRANSACTIONS

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

		Notes	2008 HK$'000	2007 HK$'000
(i)	Rental expense paid to Shougang Grand in respect of office premises	(a)	1,620	600
(ii)	Interest expense paid to SCG Finance Corporation Limited (a subsidiary of Shougang Grand)	(a)	1,303	–
(iii)	Interest expense paid to South China Leasing in respect of obligations under finance leases	(b)	16	66

Notes:

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

(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 net book values of the computer equipment held under finance lease amounted to approximately HK$504,000 as at 31 December 2007 (2008: Nil), as disclosed in note 18.

In addition to above, the secured bank borrowing as disclosed in note 36 is secured by pledge of a property of a subsidiary of Shougang Grand.

(b) Compensation of key management personnel

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

	2008 HK$'000	2007 HK$'000
Short-term benefits	11,561	10,575
Post-employment benefits	68	63
Share-based payment	–	50,759
	11,629	61,397

The remuneration of the 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 31 to 34.

46. PARTICULARS OF SUBSIDIARIES

Details of the subsidiaries at 31 December 2008 and 2007 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		
				2008	2007	2008	2007	
				%	%	%	%	
GDC (BVI) Limited	Incorporated	BVI	521,418,075 ordinary shares of US$0.01 each	100	100	–	–	Inactive
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 in Hong Kong
GDC Digital Cinema Network Limited	Incorporated	BVI	1 ordinary share of US$1	–	–	100	100	Investment holding
GDC Digital Cinema Network Limited	Incorporated	Hong Kong	1 ordinary share of HK$1	–	–	100	–	Deployment of digital cinema equipment
GDC Entertainment Limited ("GDC Entertainment")	Incorporated	BVI	3,510 ordinary shares of US$1 each	–	–	–	100	Struck off
GDC Holdings Limited	Incorporated	BVI	521,418,075 ordinary shares of US$0.01 each	100	–	–	100	Investment holding
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 each	–	–	61.9	61.9	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	61.9	Inactive

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 2008 %	directly 2007 %	indirectly 2008 %	indirectly 2007 %	Principal activities and place of operation
GDC Technology (Hong Kong) Limited	Incorporated	Hong Kong	2 ordinary shares of HK$1 each	–	–	61.9	61.9	Provision of computer solutions for digital content distribution and exhibitions
GDC Technology Pte. Ltd.	Incorporated	Singapore	900,000 ordinary shares of S$1.00 each	–	–	61.9	61.9	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	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	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

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 2008 %	directly 2007 %	indirectly 2008 %	indirectly 2007 %	Principal activities and place of operation
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	61.9	Provision of computer solutions for digital content distribution and exhibitions
重慶環球數碼動畫有限公司	Incorporated	PRC	RMB5,500,000	–	–	100	–	Provision of CG and animation training, development of multimedia software and hardware, and provision of related technical consultancy services in the PRC
深圳市南山區環球數碼培訓學校	School	PRC	RMB200,000	–	–	100	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	100	Provision of CG and animation training in the PRC
北京科創環球數碼技術有限公司	Incorporated	PRC	RMB200,000	–	–	61.9	–	Provision of computer solutions for digital content distribution and exhibitions

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, 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 relation to the TV 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'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 consolidated financial statements.

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

I. WORKING CAPITAL

After taking into account (i) the Group's internal resources; and (ii) the Group's bank borrowing of approximately HK$14.8 million at the close of business on 28 February 2009 (the "Facility") which has been confirmed by the relevant bank in writing that the Facility exists, and assuming that there is no unforeseen circumstances, the Directors are of the opinion that the 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 28 February 2009, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had an outstanding borrowing of approximately HK$14,773,000 comprising a bank borrowing secured by pledge of a property of a fellow subsidiary.

Pledge of assets

At the close of business on 28 February 2009, the Group pledged bank deposits amounted to approximately HK$19,554,000 and HK$2,808,000 to banks to secure a construction agreement and a purchase of raw materials agreement entered into with independent third parties, respectively. The pledged bank deposits will be released upon the settlement of the relevant agreements.

Debt securities

At the close of business on 28 February 2009, the Group had no debt securities.

Contingent liabilities

Save as disclosed in the section headed "Litigation" in Appendix IV to this circular, the Group did not have any material contingent liabilities as at the close of business on 28 February 2009.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not, at the close of business on 28 February 2009, have 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, the Directors are not aware of any material adverse change in the financial or trading position or prospects of the Group since 31 December 2008, 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

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

FOR THE YEAR ENDED 31 DECEMBER 2006

Financial overview

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'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'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 "Thru the Moebius Strip" (the "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 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'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 noncash 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's loss incurred and the 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 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.

Overall, the Group incur red 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 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 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'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 recorded capital deficiency as at 31 December 2006.

Capital structure

As at 31 December 2006, the 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 had no material acquisitions, disposals and investment during the year ended 31 December 2006.

Charge on assets

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

Foreign exchange exposure

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

Contingent liabilities

Saved as disclosed in note 43 to the financial statements about litigations proceeding, the Group had no significant contingent liabilities as at 31 December 2006.

Employees

As at 31 December 2006, the Group employed 351 (31 December 2005: 330) 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 YEAR ENDED 31 DECEMBER 2007

Financial overview

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 computer graphic ("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 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 Group Corporation ("CFGC") 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'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 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.

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's additional interest in the fair values of the net assets of GDC Technology Limited ("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'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'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 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 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'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 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'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'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 as mentioned in notes 12, 22 and 39 to the consolidated financial statements, respectively, the 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 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 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 31 December 2007, the Group has no significant exposure under foreign exchange.

Contingent liabilities

Saved as disclosed in note 47 to the consolidated financial statements about litigation proceeding, the Group had no significant contingent liabilities as at 31 December 2007.

Employees

As at 31 December 2007, the Group employed 424 (2006: 351) 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 YEAR ENDED 31 DECEMBER 2008

Financial overview

Revenue for the year ended 31 December 2008 was approximately HK$120,180,000 when compared with that of approximately HK$246,125,000 for the year 2007, represented a decrease of approximately 51%. The decrease was mainly attributable to decrease in revenue from digital content distribution and exhibitions division and computer graphic ("CG") creation and production division by HK$123,668,000 and HK$5,734,000, respectively.

During the year ended 31 December 2008, the Group's revenue from digital content distribution and exhibitions division, which mainly consisted of sales of digital cinema equipment, 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 Group Corporation ("CFGC") and the Group (the "PRC Digital Cinema Project") and technical service income, amounted to approximately HK$60,194,000, decreased by approximately 67%. However, excluding the sales of digital cinema equipment for the PRC Digital Cinema Project in exchange for intangible asset for the year 2007 of HK$132,912,000, revenue from this division increased by approximately HK$9,244,000 or approximately 18%. The Group's revenue from CG creation and production division amounted to approximately HK$45,566,000, decreased by approximately 11% comparing with that for the year 2007, as a result of postponement of CG production by several clients during the first half of this year.

Cost of sales for the year ended 31 December 2008 amounted to approximately HK$106,042,000 which, comparing with that of approximately HK$165,544,000 for the year 2007, represented a decrease of approximately 36%.

The Group made a gross profit of approximately HK$14,138,000 for the year ended 31 December 2008, representing a gross profit margin of approximately 12%. Comparing with the gross profit margin of approximately 33% for the year 2007, the decrease was mainly due to inclusion of amortisation of intangible asset of the PRC Digital Cinema Project of approximately HK$28,491,000 in the amount of cost of sales. Excluding the share of box office receipts from the PRC Digital Cinema Project and this amortisation, such adjusted gross profit margin for this year was approximately 32%.

Other income for the year ended 31 December 2008 amounted to approximately HK$3,066,000 (2007: HK$14,413,000), representing a decrease of approximately 79%. The decrease was mainly due to the amount for 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, and decrease in interest income by approximately HK$4,015,000 during the year.

Administrative expenses for the year ended 31 December 2008 amounted to approximately HK$60,073,000 (2007: HK$99,878,000), representing a decrease of approximately 40%. However, excluding the recognition of equitysettled share-based payments of approximately HK$57,402,000 for the share options granted during the year 2007, the administrative expenses increased by approximately 41%, as a result of growth in operations of the Group.

Finance costs for the year ended 31 December 2008 amounted to approximately HK$2,428,000 (2007: HK$4,002,000), representing a decrease of approximately 39%. The decrease was mainly attributable to decrease in interest to a fellow subsidiary by approximately HK$2,099,000.

Other expense of approximately HK$22,202,000 (2007: Nil) for the year ended 31 December 2008 represented an one-off payment to CFGC for the acquisition of certain of its film distribution rights in the PRC.

The discount on acquisition of additional interest in a subsidiary for the year 2007 amounted to approximately HK$1,342,000 represented the excess of the Group's additional interest in the fair values of the net assets of GDC Technology Limited ("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 2007 included (i) approximately HK$40,295,000 from the gain on dilution of the 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's interest in GDC Technology upon exercise of share options of GDC Technology during that year.

Overall, the Group recorded loss of approximately HK$71,688,000 for the year ended 31 December 2008 attributable to equity holders of the Company, when compared with that profit of approximately HK$18,302,000 for the year 2007.

Liquidity and financial resources

The Group had bank balances and cash of approximately HK$72.2 million as at 31 December 2008 (2007: HK$210.4 million) and pledged bank deposits of approximately HK$3.5 million as at 31 December 2008 (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 operating activities of approximately HK$45.0 million, advance for Guangdong television advertising project, details of which are set out in note 44(a) to the consolidated financial statements, of approximately HK$68.2 million, and investment in an associate of approximately HK$21.1 million.

As at 31 December 2008, the Group's borrowings amounted to approximately HK$44.8 million, of which were repayable within twelve months from 31 December 2008.

Gearing ratio (calculated as borrowings divided by equity attributable to equity holders of the Company) as at 31 December 2008 was approximately 15% (2007: 14%). As at 31 December 2008, the Group has current ratio of approximately 1.1 (2007: 2.7) based on current assets of approximately HK$130.1 million and current liabilities of approximately HK$121.1 million. The Group's leverage decreased was mainly attributable to loss for the year, and net cash used in operating activities, advance for Guangdong television advertising project and investment in an associate.

Capital structure

The equity attributable to equity holders of the Company amounted to approximately HK$305.0 million as at 31 December 2008 (2007: HK$358.0 million). The decrease was mainly due to loss for the year ended 31 December 2008 attributable to equity holders of the Company of approximately HK$71.7 million, netting off with the exchange differences on translation of foreign operations of approximately HK$18.5 million.

Material acquisition, disposals and significant investment

Other than the capital injection to an associate as mentioned in note 22 to the consolidated financial statements, the Group had no material acquisitions, disposals and significant investment during the year ended 31 December 2008.

Charge on assets

As at 31 December 2008, the Group pledged deposits amounted to approximately HK$3.5 million (2007: HK$7.8 million) to banks to secure a purchase of raw materials agreement and a construction agreement entered into with independent third parties. The pledged bank deposits will be released upon the settlement of the relevant agreements.

Foreign exchange exposure

Currently, the Group mainly 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 31 December 2008, the Group has no significant exposure under foreign exchange.

Contingent liabilities

Saved as disclosed in note 47 to the consolidated financial statements about litigation proceeding, the Group had no significant contingent liabilities as at 31 December 2008.

Employees

As at 31 December 2008, the Group employed 633 (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.

V. FUTURE PROSPECT FOR THE GROUP

Digital content distribution and exhibitions

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 cinema screens. 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 cinema screens 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 cinema screens there, it is expected the deployment of digital cinemas has yet to begin.

In anticipation of the imminent digital cinema transition in the United States, the 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 build a trusted servicing network for its customers in the United States. The Group has also been awarded authorised vendor status by Cinema Buying Group of the United States, a buying program for independent theaters and has over 600 members made up of small to medium-sized independent theaters representing over 8,000 screens in North America. Besides, the Group's digital cinema server has been included in the approved digital equipment list of the largest (VPF based) digital cinema deployment entity for its "Phase Two" deployment program over the next three years.

In Asia, the Group has reached separate non-exclusive agreements with five Hollywood studios for digital cinema deployment across Asia, of which these studios are committed to supply Asian exhibitors with feature film content digitally, as well as to make financial contributions towards the hardware cost of Digital Cinema Initiative ("DCI") compliant digital cinema equipment deployed. This milestone signals the Group's on-going commitment to Asian exhibitors as a trusted partner in digital conversion.

To capture the potential opportunities, the Group successfully strengthened its production facilities in Shenzhen and Hong Kong in preparation of mass production of its products. The Group also continuously improved its production quality, its manufacturing facility in Shenzhen achieved ISO 9001:2000 certification.

On the other hand, the Group entered into an agreement to make available to a group, which is engaged in operation and sale of advertisement airtime for a television channel of Guangdong Television Station, a loan facility in the maximum principal amount of RMB100 million (equivalent to approximately HK$113.6 million) and acquisition of the exclusive rights and options to subscribe for an aggregate of up to 60% of that group. The Group considered that this provided an opportunity for the Group 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 in the coming years.

For the PRC Digital Cinema Project, after having further considered that additional substantial amount of capital would be needed to continue the project, the prevailing conditions in the credit market and the loss of the digital cinema equipment since its deployment, the Group considered that it would be more appropriate to terminate the cooperation with CFGC and dispose the installed equipment to them. On 9 January 2009, the Group entered into an agreement with CFGC to dispose the equipment for a consideration of approximately RMB223.8 million (equivalent to approximately HK$254.2 million), of which RMB100 million (equivalent to approximately HK$113.6 million) has been received. The net proceeds received and receivable would provide funding for the Group's development in its existing business divisions and the media advertising business in the PRC.

CG creation and production

The 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 based on the demonstrated track record of offering reliable, cost effective, high quality CG production services to international market, the customer base of the Group has already expanded to North America, Europe and Australia. At present, based on orders on hand, the production capacity of this division is already fully occupied up to the fourth quarter of the year 2009.

To deal with the expected growth in orders, the Group established a subsidiary in the city of Chongqing, its staff recruitment and installation of production facilities have been completed. The production capacity there has been formed during the fourth quarter of the year 2008 and is expected to further develop and achieve the same level of CG production as the production in Shenzhen.

Following the success of the Group's second full-length feature CGI film, "Happy Little Submarines", a co-production with a Hollywood leading animation studio, the Group's co-produced animated television series, "Dive Olly Dive" was also released on China Central Television (CCTV) since September 2008. This film and television series generated revenue of over HK$3,000,000 for the year 2008 and received support from the local municipal government on the distribution and promotion. The television series has also been released on popular channels in the United States, France, Germany and Australia, and had received positive audience share and media responses. The success of this co-production globally made the Group won recognition in the industry and increased confidence from international production companies to work with the Group not only limited to production, but also extend to distribution and other business. The Group will actively develop its original content creation business through different forms, including sole investment and co-production, in order to generate revenue from sale of derivatives, distribution and intellectual property sales in addition to the existing CG creation and production revenue.

Furthermore, with the support of the local municipal government, the Group is constructing its headquarters building at Shenzhen High-tech Industrial Park and the construction is scheduled to be completed in the year 2010. Upon completion, the Group will expand its research, development and production centre of its multi-media digital contents and CG business. The Group's production capacity and efficiency will enhance further at that time.

CG training

CG training division served as a core component of its strategy towards professionalism. Tailored for students in the PRC, its training courses focused on the basic knowledge of CG production. 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 maintained a leading position in the CG professional training domain in the PRC.

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, demand for equipped people in this field increased. In addition to the existing training courses on the knowledge of CG production, the 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 also tailors made some advanced courses for several companies in the different kinds of CG animation and game industries during the year to upgrade their employees in accordance with their positions, with an aim to enhance the production capacity of those companies.

Besides, the Group co-operates 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’s training centres in Shanghai and Shenzhen and direct operation training sites in Chongqing and Wuxi, the Group plans to set up more direct operation training sites to further expand its training network throughout the PRC and increase market shares there. The Group will also upgrade and strengthen its training system, the quality of its teaching staff and the graduate employment network, and diversify its revenue stream.

GREATER CHINA APPRAISAL LIMITED
漢 華 評 值 有 限 公 司

Room 2703
Shui On Centre
6–8 Harbour Road
Wanchai
Hong Kong

24 April 2009

The Directors
Global Digitial Creations Holdings Limited
Rooms 1101-4, 11th Floor
Harcourt House
39 Gloucester Road
Wanchai
Hong Kong

Dear Sirs,

In accordance with the instructions from Global Digitial Creations Holdings Limited ("the Company") for us to value the property at Lot No. T304-0124, Gaoxinzhong Third Road, Nanshan District, Shenzhen, Guangdong Province, the People's Republic of China ("the PRC"), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing the market value of the property as at 28 February 2009 (referred to as the "valuation date").

It is our understanding that this valuation is for a proposed major transaction.

This letter which forms part of our valuation report explains the basis and methodology of valuation, and clarifies our assumptions made, titleship of property and the limiting conditions.

Basis of Valuation

The valuation of such property is our opinion of the market value which we would define as intended to mean "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."

Valuation Methodology

The property is valued by comparison method where comparison based on prices realised or market prices of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values.

In arriving at our valuation for property under development, we have taken into account the development costs already expended on the property.

Assumptions

Our valuation has been made on the assumption that the owner sells the property on the open market in its existing state without the benefit of any deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to increase the value of the property.

It is assumed that all applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined, and considered in the appraisal report. Moreover, it is assumed that the utilization of the land and improvements is within the boundaries of the site held by the owner or permitted to be occupied by the owner. In addition, we assumed that no encroachment or trespass exists, unless noted in the report.

No environment impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed unless otherwise stated, defined, and considered in the report. It is also assumed that all required licences, consents, or other legislative or administrative authority from any local, provincial, or national government or private entity or organization either have been or can be obtained or renewed for any use which the report covers.

Other special assumptions of the valuation, if any, have been stated out in the footnote of the valuation certificate for the property.

Titleship Investigation

We have been provided with copies of legal documents regarding the property under valuation. However, we have not searched the original documents to verify ownership or to verify the existence of any amendments to the documents which do not appear on the copies handed to us.

In our valuation, we have relied on the legal opinions prepared by Shenzhen Office, Beijing W&H Law Firm ("the PRC Legal Advisers") regarding the Company's legal title to the property.

All legal documents disclosed in this report are for reference only and no responsibility is assumed for any legal matters concerning the legal title to the property set out in this report.

Limiting Conditions

We have carried out inspection for the property. However, no structural survey has been made and we are therefore unable to report as to whether the property is free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

We have not carried out detailed site measurements to verify the correctness of the area in respect of the property but have assumed that the area shown on the legal documents provided to us are correct. Based on our experience of valuation of similar properties in the PRC, we consider the assumptions so made to be reasonable. All documents have been used as reference only and all dimensions, measurements and areas are approximations.

Having examined all relevant documentation, we have relied to a very considerable extent on the information provided by the Company and have accepted advice given to us by it on such matters as planning approvals, statutory notices, easements, tenure, occupation, lettings, construction costs, rentals, site and permissible floor areas and in the identification of the property. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We were also advised by the Company that no material factors have been omitted from the information to reach an informed view, and have no reason to suspect that any material information has been withheld.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the interest is free of encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

Since the property is located in a relatively under-developed market such as the PRC, those assumptions are often based on imperfect market evidence. A range of values may be attributable to the property depending upon the assumptions made. While the valuer has exercised his professional judgment in arriving at the value, report readers are urged to consider carefully the nature of such assumptions which are disclosed in the valuation report and should exercise caution in interpreting the valuation report.

Opinion of Value

The valuation certificate has already shown the market value of the property.

Remarks

Our valuation has been prepared in accordance with generally accepted valuation procedures. In valuing the property, we have complied with the requirements contained in the HKIS Valuation Standards on Properties (1st Edition 2005) published by the Hong Kong Institute of Surveyors effective from 1 January 2005 and the requirements of Chapter 8 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

Valuation of the property is denominated in Chinese Renminbi (RMB).

The valuation certificate is enclosed herewith.

This valuation report is issued subject to our General Service Conditions.

Yours faithfully,
For and on behalf of
GREATER CHINA APPRAISAL LIMITED
K. K. Ip *BLE, LLD*
Chartered Valuation Surveyor
Registered Professional Surveyor
Managing Director

Note: Mr. K. K. Ip is a chartered valuation surveyor and a registered professional surveyor who has substantial experience in valuation of properties in the PRC since 1992.

VALUATION CERTIFICATE

Property held by the Company for development

Property	**Descriptions and tenure**	**Particulars of Occupancy**	**Market Value as at 28 February 2009** *(RMB)*
A development site at Lot No. T304-0124 Gaoxinzhong Third Road Nanshan District Shenzhen Guangdong Province The PRC	The property comprises a development site ("the Land") with a site area of approximately 5,925 square meters. As advised by the Company, a building ("the Building") will be constructed on the Land to house the research, development and production centre of the Company's multi-media digital contents and computer graphic business. The Building will be a 16-storey building having a gross floor area of approximately 32,987 square meters (plus underground car park and machine room with approximately 9,517 square metres). The Land is held under a State-owned Land Use Right Certificate for a term of 50 years from 25 June 2007 to 24 June 2057 for industrial use.	As at the date of inspection, site formation as well as the piling work have been completed. However, no basement structure or superstructure of the property has been commenced. As advised by the Company, construction of the Building will be commenced in May 2009 and will be completed in March 2010.	No commercial value

Notes:

(1) According to a State-owned Land Use Right Grant Contract entered into between Shenzhen Municipal Bureau of Land Resources ("the Bureau") and Housing Management and 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) dated 28 June 2007, the land use right of the Land was agreed to be granted to Shenzhen IDMT for a term of 50 years for industrial use with a consideration of RMB5,261,543.

(2) According to a State-owned Land Use Right Certificate dated 6 July 2007, the land use right of the property has been granted to Shenzhen IDMT for a term of 50 years from 25 June 2007 to 24 June 2057 for industrial use.

(3) Other land use conditions in accordance with the State-owned Land Use Right Grant Contract and the State-owned Land Use Right Certificate are shown as follows:

(a) Land use: Industrial

(b) Type of Building: Industrial research and development

(c) Building density: not more than 40%

(d) Plot ratio: not more than 5.57

(e) Maximum gross floor area: 33,000 square metres (not including the floor area below ground level)

(f) Height: not more than 70 metres

(g) Green area: not less than 40%

(h) Set-back from boundary: not less than 10 metres on the eastern and western sides; not less than 12 metres on the southern and northern sides

(i) The Bureau has the right to resume the land use right of the Land and return the land premiums paid if Shenzhen IDMT failed to complete 25% of the building investment within 1 year from the date of the State-owned Land Use Right Grant Contract, 28 June 2007.

(j) The Bureau has the right to terminate the State-owned Land Use Right Grant Contract and resume the land use right of the Land if Shenzhen IDMT failed to complete the construction of the Building before 25 June 2010.

(k) Transfer of the Land is not allowed. Mortgage of the Land is not allowed without consent from the relevant authorities.

(4) As stipulated in a Shenzhen Municipal Construction Land Use Planning Approval dated 29 May 2007, a Construction Work Planning Approval date 27 October 2008 and a Construction Work Commencement Permit dated 21 January 2009, Shenzhen IDMT was permitted to construct a 16-storey industrial and research building with a gross floor area of 32,987 square metres (plus underground car park and machine room with approximately 9,517 square metres) on the Land providing 250 car parking spaces (of which 223 car parking spaces are on basement level).

(5) Due to non-transferability of the Land, we have assigned no value to the property. For reference purpose, assuming free from all encumbrances, the replacement cost of the property as at the valuation date is approximately RMB28,800,000, inclusive of approximately RMB5,700,000 of construction costs incurred reflecting the physical state of construction as at the valuation date.

(6) Opinions of the PRC Lawyer are summarized as follows:

(i) Shenzhen IDMT is the legal owner of the land use right of the Land. However, transfer of the Land is not allowed and mortgage of the Land is not allowed without consent from the relevant authorities.

(ii) Shenzhen IDMT has obtained all necessary permits and approvals from the relevant authorities for the construction of the Building.

(iii) According to the Construction Work Commencement Permit dated 21 January 2009, construction work of the Building should be commenced within 3 months from the date of the Construction Work Commencement Permit. As the piling work has been commenced on 5 January 2009 and the construction of the Building has been scheduled to be completed on 20 March 2010, Shenzhen IDMT confirmed that the requirement of construction commencement date has been fulfilled. In case the construction work cannot be completed before the required completion date, Shenzhen IDMT should apply for extension in accordance with the PRC Construction Laws and the relevant regulations of Shenzhen municipal construction authorities.

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 the 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 the 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%

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
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 the 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 the shares and underlying shares of GDC Technology Limited ("**GDC Tech**"), an associated corporation of the Company*

		Number of shares/underlying shares held in GDC Tech			
Name of Director	**Capacity in which interests are held**	**Interests in shares**	**Interests under equity derivatives***	**Total interests**	**Total interests as 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 operation
Leung Shun Sang, Tony	Shougang Grand *(Note 1)*	Cultural recreation content provision *(Note 2)*	Director

Notes:

1. Shougang Grand is the holding company of the Company which indirectly held approximately 52.57% interests in the Company as at the Latest Practicable Date.

2. Such businesses may be carried out through the subsidiaries or associates of the entity concerned 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 31 December 2008 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%

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
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)*

Name of registered shareholder	Name of beneficial owner	Name of member of the Group	% of attributable interest
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 100.00% 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 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.

Effective from 1 May 2008, GDC Entertainment has been struck off but 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 dated 9 January 2009 entered into between Shenzhen IDMT and 中國電影集團公司 (China Film Group Corporation) ("**China Film**") in relation to the disposal of 445 units of digital cinema equipments by Shenzhen IDMT to China Film;

(ii) the agreement dated 23 December 2008 entered into between GDC Holdings Limited ("**GDC Holdings**"), a wholly-owned subsidiary of the Company, Southern International Limited ("**Southern International**") and Keen Front Group Limited in relation to the granting of the facility of RMB100 million (approximately HK$113,600,000) by GDC Holdings and/or its designated company to Southern International, and the granting of call options by Southern International to GDC Holdings and/or its designated company;

(iii) the supplemental agreement dated 22 September 2008 entered into between Shougang GDC Media Holding Limited ("**Shougang GDC Media**"), a wholly-owned subsidiary of the Company, and China Film in relation to the sale of digital cinema equipment 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), which was subsequently agreed to be terminated by both parties on 28 November 2008;

(iv) the agreement dated 14 August 2007 entered into between Shougang Holding and GDC Holdings in relation to the acquisition of 100% interest in the issued share capital of Shougang GDC Media for the consideration of HK$42 million;

(v) 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;

(vi) 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 at HK$2.7 per share; and

(vii) 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 at HK$1.61 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. EXPERT AND CONSENT

The following is the qualification of the expert whose advice or opinion is contained in this circular:

Name	Qualification
Greater China Appraisal Limited	An independent professional property valuer

Greater China Appraisal Limited 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, Greater China Appraisal Limited 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, Greater China Appraisal Limited did not have any direct or indirect interest in any asset which had been, since 31 December 2008, 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.

8. 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 of Directors. 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. The biographies of the members of audit committee of the Company are set out below:

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.

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 committee, the nomination committee and the remuneration committee of the Company. He 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 Haywood Investments Limited (now known as Mastermind Capital Limited), both are listed companies in Hong Kong. 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.

Dr. Japhet Sebastian Law, aged 57. Dr. Law was appointed an independent non-executive Director 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 organizations 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.

(f) The English text of this circular shall prevail over the Chinese text.

9. 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 8 May 2009:

(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 consent referred to under the section headed "Expert and Consent" in this appendix;

(d) the annual reports of the Company for the two years ended 31 December 2007 and 31 December 2008; and

(e) the property valuation report issued by Greater China Appraisal Limited on the Land as set out in Appendix III to this circular.