



Global Digital Creations Holdings Limited

環球數碼創意控股有限公司*

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立之有限公司)

Stock Code : 8271

股份代號 : 8271

Annual Report 2005 年報

* For identification purpose only 僅供識別之用

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This report, for which the directors (the “Directors”) of Global Digital Creations Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (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: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

香港聯合交易所有限公司（「聯交所」）創業板之特色

創業板為帶有高投資風險之公司提供上市之市場。尤其在創業板上市之公司毋須有過往盈利記錄，亦毋須預測未來盈利。此外，在創業板上市之公司可因其新興性質及該等公司經營業務之行業或國家而帶有風險。有意投資人士應了解投資於該等公司之潛在風險，並應經過審慎周詳之考慮後方作出投資決定。創業板之較高風險及其他特色表示創業板較適合專業及其他經驗豐富之投資者。

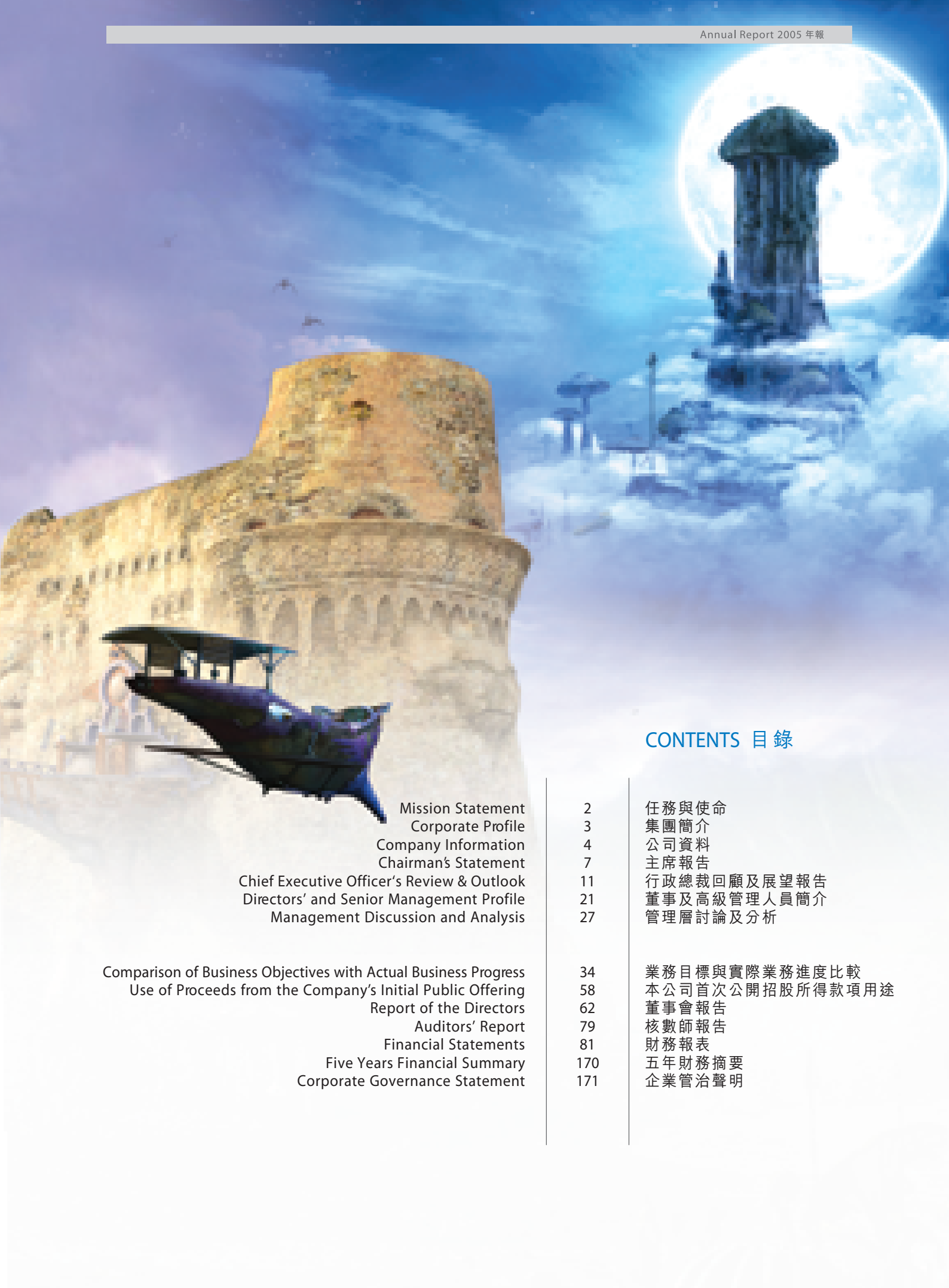
鑒於在創業板上市之公司新興之性質，在創業板買賣之證券可能會較在主板買賣之證券承受較大市場波動風險，同時無法保證在創業板買賣之證券會有高流通量之市場。

創業板發佈資料之主要方法為在聯交所所設之互聯網網站上刊登。上市公司一般毋須在憲報指定報章刊登付款公佈。因此，有意投資人士應注意彼等須閱覽創業板網站，方能取得創業板上市發行人之最新資料。

聯交所對本報告的內容概不負責，對其準確性或完整性亦不發表任何聲明，並明確表示概不就因本報告全部或部份內容而產生或因倚賴該等內容而引致的任何損失承擔任何責任。

本報告乃遵照聯交所創業板證券上市規則（「創業板上市規則」）的規定而提供有關環球數碼創意控股有限公司（「本公司」）的資料，本公司各董事（「董事」）願共同及個別對此承擔全部責任。董事在作出一切合理查詢後確認，據彼等所知及所信：(i) 本報告所載資料在各重大方面均為準確及完整，且無誤導成分；(ii) 本報告並無遺漏其他事項足以致使本報告所載任何陳述有所誤導；及 (iii) 本報告內表達的一切意見乃經審慎周詳考慮後始行作出，並以公平合理的基準和假設為依據。

Where the English and the Chinese texts conflict, the English text prevails.
本年報備有中英文版本，如有歧義，概以英文版本為準。



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We are the pioneers in a new technology and industry. There are many problems and difficulties in our way. We will conquer and overcome.

We believe our future will rest on the people that we train and nurture today.

Together working as a team, we will build and lead the digital content development industry in Asia.

MISSION STATEMENT

任務與使命

我們是當今科技及產業的拓荒者，征途漫漫，困難重重，我們將劈荊斬棘，勇往直前。我們深信，人才的培育和今日的努力，就是我們的未來。

萬眾一心，同心同德，發揚團隊精神，建立我們在數碼媒體科技領域的領導地位，帶領數碼媒體科技工業在亞洲的新發展。



CORPORATE PROFILE

集團簡介



Headquartered in Hong Kong, Global Digital Creations Holdings Limited, together with its subsidiaries, (hereinafter collectively referred to as the "Group" or "GDC") is one of the leading groups providing an integrated value chain in the digital content business which encompasses computer graphics ("CG") creation and production, distribution and exhibitions of digital content, and training of CG artists in the Asia Pacific region.

GDC has built a production pipeline in the city of Shenzhen in the People's Republic of China* (the "PRC") for the production of CG content for animated films, TV series and other CG applications. GDC has finished the production of *Thru the Moebius Strip*.

To secure a stable supply of CG creation and production staff for CG projects, GDC has organized CG training courses in Shenzhen in co-operation with Shenzhen University since year 2000. Having trained over 400 CG artists, GDC now has a strong CG production team with over 300 animators and artists, the largest in the PRC and in Asia. In September 2003, GDC extended its training services to Shanghai to nurture talents.

Leveraging its proprietary technologies in digital film processing, encryption, compression, storage, delivery and distribution, GDC developed a proprietary 2K x 1K digital cinema solution. In 2002, the Group successfully used its proprietary DSR™ Digital Film Agile Encoder for the premiere of *The Missing Gun*, the PRC's first digitally released film. The Group has, since early 2003, commercialized its digital cinema solution under the DSR™ range of equipment for supply to digital cinemas worldwide.

Shares of the Company are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (stock code: 8271.HK) and traded on the Regulated Unofficial Markets of Frankfurt, Berlin, and Munich Stock Exchanges (Reuters: 8271.F/8271.BE/8271.MU/8271.DE (XETRA) and Bloomberg: GDC GR EQUITY).

GDC's vision is to become a leader in the digital content development industry in the Asia Pacific region.

* For the purpose of this annual report, the People's Republic of China or China mainland excludes Hong Kong and Macau Special Administrative Regions and Taiwan.

總部設於香港的環球數碼創意控股有限公司，連同其附屬公司，（以下統稱「本集團」或「環球數碼」）以領導亞太地區數碼內容產業發展為主旨。本集團主要提供一系列以數碼內容為主的業務，當中包括電腦圖像創作及製作、數碼內容發行及展示，以及電腦圖像的培訓課程。

環球數碼在中華人民共和國（「中國」）深圳市建立了一條製作數碼電腦圖像內容的生產線，以製作動畫電影、電視連續劇和其他數碼產品。環球數碼已完成製作《魔比斯環》。

為了確保在電腦圖像項目創作及製作生產上對員工人數的穩定需求，環球數碼自二零零零年始，在中國深圳市與深圳大學聯合創辦了電腦圖像的培訓課程，並已培養出400多名電腦圖像製作的藝術家。環球數碼現擁有超過300名動畫藝術師，是中國乃至於亞洲最大的電腦圖像製作團隊。在二零零三年九月，本集團更將培訓服務拓展至上海，以增加人才培養。

憑藉在數碼電影加工處理、編碼、壓縮、儲存、傳輸及發送方面的專有技術，環球數碼已開發一個專有2K x 1K數碼影院解決方案。在二零零二年，中國首家數碼影院運用DSR™數碼影院服務系統首映中國首部膠片源數碼版電影《尋槍》。自二零零三年初期，本集團成功地推廣其數碼影院解決方案，為全球數碼影院提供DSR™數碼影院服務系統。

本公司股份在香港聯合交易所有限公司創業板上市（股份代號：8271.HK）。其股份亦加入法蘭克福證券交易所受管制非官方市場，以及於柏林證券交易所和慕尼黑證券交易所交易（路透社：8271.F/8271.BE/8271.MU/8271.DE(XETRA)及彭博：GDC GREQUITY）。

環球數碼之使命是成為亞太地區數碼內容發展產業的領導者。

* 就本年報而言，中華人民共和國或中國大陸不包括香港及澳門特別行政區和台灣。

COMPANY INFORMATION

公司資料

**Board of Directors****Non-executive Director:**

Mr. Cao Zhong (Chairman)

Mr. Leung Shun Sang, Tony

Dr. David Deng Wei (Vice-Chairman)

Executive Directors:

Mr. Chen Zheng (Chief Executive Officer)

Mr. Jin Guo Ping (Vice President)

Dr. Catherine Xu Qing (Vice President)

Independent non-executive Directors:

Mr. Gordon Kwong Che Keung

Mr. Bu Fan Xiao

Mr. Stephen Hui Hung

Chief Financial Officer & Qualified Accountant

Mr. Tsang Yu Tit

Compliance Officer

Mr. Chen Zheng

Company Secretary

Mr. Tang Wing Fai

Mr. Ira Stuart Outerbridge III (Assistant Secretary)

Audit Committee

Mr. Gordon Kwong Che Keung (Chairman)

Mr. Bu Fan Xiao

Mr. Stephen Hui Hung

Remuneration Committee

Mr. Leung Shun Sang, Tony (Chairman)

Mr. Cao Zhong (Vice-Chairman)

Mr. Bu Fan Xiao

Mr. Stephen Hui Hung

Mr. Gordon Kwong Che Keung

董事會**非執行董事：**

曹忠先生 (主席)

梁順生先生

鄧偉博士 (副主席)

執行董事：

陳征先生 (行政總裁)

金國平先生 (副總裁)

徐清博士 (副總裁)

獨立非執行董事：

鄭志強先生

卜凡孝先生

許洪先生

財務總監兼合資格會計師

曾如鐵先生

監察主任

陳征先生

公司秘書

鄧榮輝先生

Ira Stuart Outerbridge III 先生 (助理秘書)

審核委員會

鄭志強先生 (主席)

卜凡孝先生

許洪先生

酬金委員會

梁順生先生 (主席)

曹忠先生 (副主席)

卜凡孝先生

許洪先生

鄭志強先生

COMPANY INFORMATION

公司資料

**Nomination Committee**

Mr. Bu Fan Xiao (Chairman)
Mr. Gordon Kwong Che Keung
Mr. Stephen Hui Hung

Authorised Representatives

Mr. Chen Zheng
Dr. Catherine Xu Qing

Bermuda Resident Representative

Mr. John C. R. Collis

Bermuda Deputy Resident Representative

Mr. Anthony D. Whaley

Website Address

<http://www.gdc-world.com>

Stock Code

8271.HK
Reuters: 8271.F/8271.BE/8271.MU/8271.DE (XETRA)
Bloomberg: GDC GR EQUITY

Head Office and Principal Place of Business in Hong Kong

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Wanchai, Hong Kong

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

提名委員會

卜凡孝先生 (主席)
鄭志強先生
許洪先生

授權代表

陳征先生
徐清博士

百慕達駐居代表

John C. R. Collis 先生

百慕達副駐居代表

Anthony D. Whaley 先生

網址

<http://www.gdc-world.com>

股份代號

8271.HK
路透社： 8271.F/8271.BE/8271.MU/8271.DE
(XETRA)
彭博： GDC GR EQUITY

香港總辦事處及主要營業地點

香港灣仔
告士打道56號
東亞銀行港灣中心6樓

註冊辦事處

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

COMPANY INFORMATION

公司資料



Auditors

Deloitte Touche Tohmatsu

Sponsor

Goldbond Capital (Asia) Limited

Legal Advisers

As to Hong Kong Laws

Sidley Austin Brown & Wood

As to Bermuda Laws

Conyers Dill & Pearman

Principal Bankers

Hang Seng Bank Limited

The Development Bank of Singapore Ltd.

Standard Chartered Bank

Shenzhen Commercial Bank

Bank of China

Principal Share Registrar and Transfer Office

The Bank of Bermuda Limited

Bank of Bermuda Building

6 Front Street

Hamilton HM 11

Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Standard Registrars Limited

Level 25, Three Pacific Place

1 Queen's Road East

Hong Kong

核數師

德勤 • 關黃陳方會計師行

保薦人

金榜融資(亞洲)有限公司

法律顧問

香港法律

盛德律師事務所

百慕達法律

Conyers Dill & Pearman

主要往來銀行

恒生銀行有限公司

星展銀行

渣打銀行

深圳市商業銀行

中國銀行

股份過戶登記總處

The Bank of Bermuda Limited

Bank of Bermuda Building

6 Front Street

Hamilton HM 11

Bermuda

香港股份過戶登記分處

標準證券登記有限公司

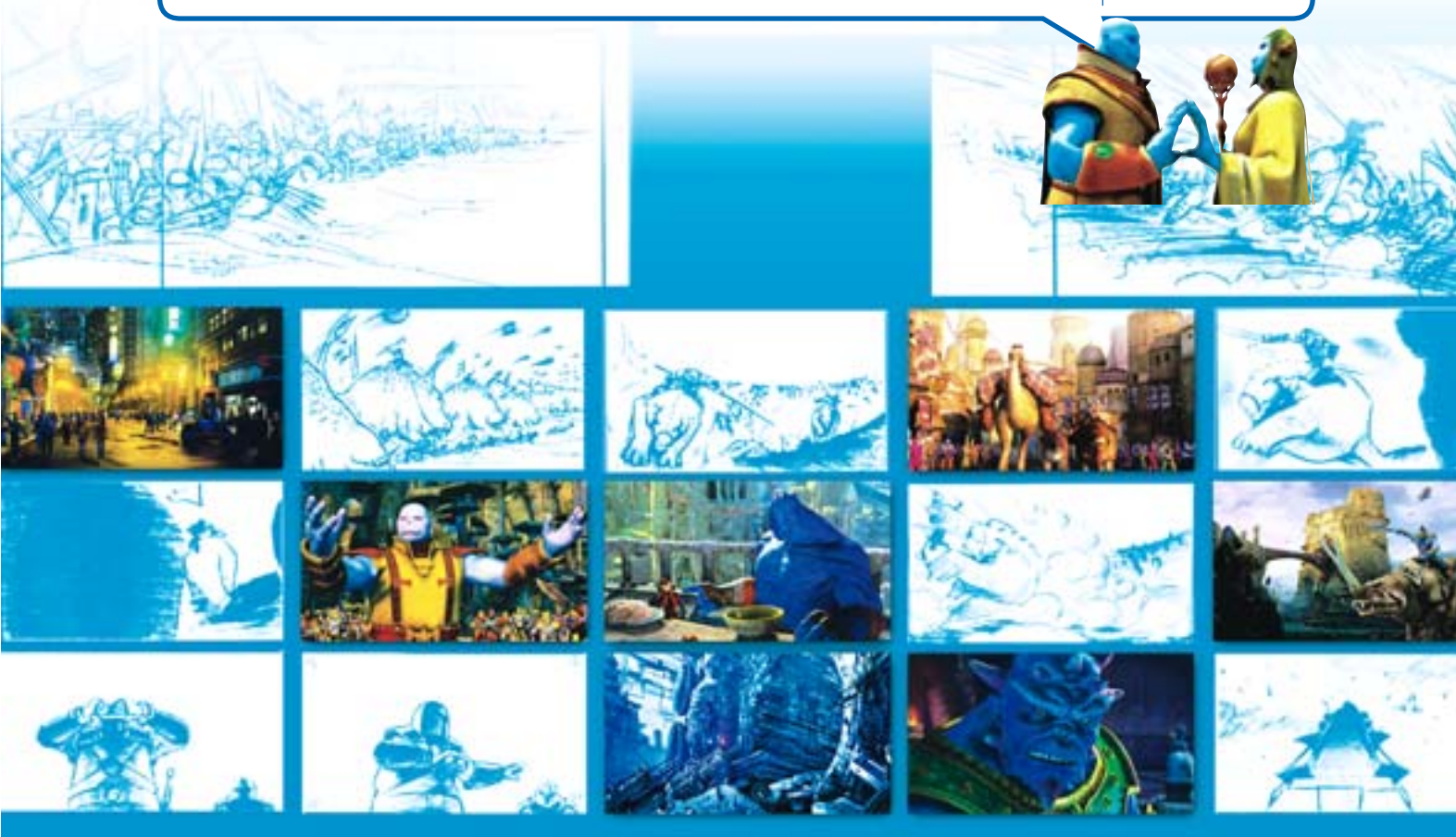
香港

皇后大道東1號

太古廣場三期25樓

CHAIRMAN'S STATEMENT

主席報告



After the production of the film "Thru the Moebius Strip", the CG production team has grown up and is now in a leading position in 3-D animation production in China. Thanks to the most proficient 3-D team, the relevant authorities of the PRC has paid special attention and provided genuine support to the Group. We are confident that the Group will obtain even greater support from the PRC government as it develops growing concerns over the animation industry. Meanwhile, the production quality of the Group has already been widely recognised by internationally renowned animation companies, bringing processing orders and 3-D animated movies co-production copyrights. It is believed that creation and production of computer animations will bring about significant income

通過電影魔比斯環制作成長起來的電腦圖制作團隊，目前已在中國三維動畫製作領域處於領導地位。全賴作為三維動畫製作最高水準之團隊，本集團因此獲得中國政府相關方面的高度重視和支持，相信隨中國政府對動漫產業的逾加重視，本集團將會獲得中國政府更大的幫助。同時，本集團的制作水平也已獲得際許多知名動畫公司的認可和興趣，為本集團帶來國際電腦動畫加工訂單和三維動畫電影的合作版權。相信電腦動畫的創作和制作將為公司帶來可觀的收入，並成為公司穩定收入的豐富之源。魔比斯環之後期製作已完成，並參加了中國電影業最具權威的金鷹獎活

CHAIRMAN'S STATEMENT

主席報告



“We want to bring about
the rebirth of the
creative dimension in the Chinese
animation industry.”

“我們定必竭盡全力，
振興中國動畫行業，
再創高峰。”

for the company and become a substantial source of steady income. The final-stage production of “Thru the Moebius Strip” has been completed and the film attained nomination to the Golden Eagle Award, the most authoritative events in the animation industry in the PRC. The film will be released in the PRC this year as approved by the PRC government. The marketing activities of the film is proceeding intensively and other negotiation is in progress.

Development in the animation and comic industry in the PRC has already triggered the phenomenon of severe labour shortage, which provided enormous opportunities for the Group's CG training business. Such business has already achieved far-reaching progress last year and bringing in steady revenue to the Group.

動，獲得提名獎。經中國政府批准本年將會在中國上映。而該電影之市場推廣業已如火如荼的進行，並進行洽商。

中國之動漫業的發展引起的嚴重人材缺乏現象，為公司的腦圖像培訓業務帶來巨大的商機，該業務在去年已取得長遠進步，為本集團帶來穩定的收益。

CHAIRMAN'S STATEMENT

主席報告



The relevant digital cinema technology standards have been issued and the Group is among the most compliant providers to such technology standards. It is expected that the sales of the digital cinema equipment would be positive by which a growth to the Group is definitely to follow. Furthermore, in consideration of its growth potential, such business will be one of the major development projects of the Group. We intend to introduce new investors, to enhance the Shareholders base, for research and development of technology on digital cinema equipment.

I am pleased to announce that Mr. Jin Guo Ping and Dr. Catherine Xu Qing had joined the Group. Mr. Jin is the chairman of China Animation Association and was appointed as the director of Shanghai Animation Film Studios. He has extensive experience in animation industries in China. Dr. Xu has extensive experience of business development and marketing experience. Their initiation, together with the effort of the management, is bound to lay solid foundation for the Group in terms of animation technology and sales development, leading the Group to a new stage of development.

Mr. Anthony Francis Neoh, joint chairman of the Company, and Professor Japhet Sebastian Law resigned as directors of the Company due to illness and personal reasons respectively. I hereby express my gratitude towards their support and their great contribution to the board.

Shougang Concord Grand (Group) Limited ("SCG"), through its indirect wholly owned subsidiary, has completed a voluntary share exchange offer by February 2005 and has become the holding company of the Company. The Group is now provided with more financial resources as well as management resources by SCG. Furthermore, the excellent relationship with the PRC government and extensive commercial network of Shougang Holding (Hong Kong) Limited, the controlling shareholder of SCG, provided the Group with opportunities for business expansion.

有關數碼影院技術標準經已公佈，而本集團躋身最符合技術標準之供應商，預計數碼影院設備之銷售理想，定當為本集團帶來增長，況且考慮到其增長潛力，該業務將成為本集團主要發展項目之一。本公司擬引入新的投資者，以加強股東基礎，從而研究發展數碼影院設備技術。

本人欣然宣佈，金國平先生及徐清博士已加入本集團。金先生為中國動畫協會會長，並曾任上海美術電影制片廠廠長，於中國的動畫行業擁有豐富經驗。而徐博士擁有企業發展及市場銷售方面的豐富經驗。他們之加盟，加上管理層的努力，定必為本集團動畫技術及銷售發展奠下基石，並帶領本集團進入新的發展階段。

本公司聯席主席梁定邦先生及羅文鈺教授分別因患病及因私人理由辭任本公司董事，本人謹此就彼等對董事會之支持及彼等所作出之鉅大貢獻致謝。

於二零零五年二月，首長四方(集團)有限公司(「首長四方」)透過其間接持有之一家全資附屬公司，已完成自願性股份交換建議，並成為本公司之控股公司。首長四方不但為本集團提供更多的財務資源，並且可令本集團享有更多管理資源。此外，首長四方之控股股東首鋼控股(香港)有限公司與中國政府關係良好且商業網絡廣闊，為本集團提供拓展業務的商機。

CHAIRMAN'S STATEMENT

主席報告



I am confident that the Group is able to maintain steady growth and becomes the most capable animation production company in China, as we possess stable income from CG content creation and production; potential for digital content distribution and exhibition, accompanied with the cooperation of our staff and the support from the Shareholders.

Cao Zhong

Chairman

憑藉電腦圖像內容創作及製作之穩定收入；數碼內容發行及展示之潛力、本集團員工之配合及股東之支持，本人相信本集團能夠持續穩定增長，成為中國最具實力的動畫制作公司。

曹忠

主席

CHIEF EXECUTIVE OFFICER'S REVIEW & OUTLOOK | 行政總裁回顧及展望報告



With the enthusiastic consumer demand for CG movies and TV contents, major US studios such as Pixar and Dream Works Animation have started looking for Asian partners to help them fill the talent gap as well as lower the cost for CG content productions. Unlike the outsourcing business for 2D animations, 3D CG animation requires higher technology know-how and more complex management skills on the production studios' part. As a result, the barrier to entry for 3D CG animation production is relatively high. GDC is not only the most experienced and largest CG animation company in China, but also the only team in China capable of producing large scale, international quality animation TV series and movies. With our track record and cost advantage, our US clients have been shifting their production work from the US and other parts of Asia to GDC. Our partners in Europe and Japan are also expanding their scope of collaboration with GDC. As the time of writing this report, we expect to see 6-8 times revenue growth in CG animation production in 2006 over that of 2005.

由於消費者對電腦圖像電影及電視內容需求殷切，美國主要製作公司如Pixar及夢工場已開始物色亞洲夥伴以協助填補其人才缺口，以及降低電腦圖像內容製作的成本。與外判的平面動畫業務不相同的是，三維電腦圖像動畫要求製作公司具較高的科技及更複雜的管理技巧。因此，三維電腦圖像動畫製作的入行障礙較高。環球數碼創意不僅是中國最富經驗及最大規模的電腦圖像動畫公司，亦是中國唯一可製作大型及具國際品質的動畫電視連續劇及電影的公司。鑒於本公司的往績紀錄及成本優勢，本公司的美國客戶一直將他們的生產作業由美國及其他亞洲地區轉移至環球數碼創意。本公司的歐洲及日本夥伴亦與環球數碼創意擴充其合作業務。於編制本報告時，本公司預期電腦圖像動畫製作的收益於二零零六年較二零零五年增長六至八倍。



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The "Making of Moebius Film" documentary program about the film has also been completed in production. It will be shown on major Chinese TV stations before the film is released.

有關該電影的記錄片『Making of Moebius Film』也已經完成製作，並將於該電影推出前在中國的主要電視台上播放。

2. Television CG Series Production

We have already signed a television CG series production agreement with and started to produce a renowned American television CG series for an American company. It is the first time for the Group to obtain this sort of order since its establishment more than five years ago. This signifies that the production technology of the Group has been recognised by American mainstream animation TV production companies and opens a new source of revenue for the Group. The Group is planning to expand this sort of cooperation to make CG processing and production a principal component of the Group's business income.

2. 電腦圖像電視連續劇製作

我們已簽訂了一份電腦圖像電視連續劇製作協議，開始為一間美國公司加工製作一部美國著名的電腦圖像電視連續劇。這是本集團成立五年多來第一次獲得此類訂單，這標誌著本集團的製作技術已達到美國主流動畫電視製作公司的認可，開啟了本集團新的業務收入來源。本集團正計劃擴大此類合作，使電腦圖像的製作加工成為本集團業務收入的主要組成部分。

3. CG Television Cooperation

The future of Chinese animation market is attracting more and more internationally renowned animation corporations. Based on GDC's level of production and its background of being adjacent to the market, the Group is now under negotiation with a number of international companies for the cooperation in producing CG Television. Through such cooperation, GDC will obtain the majority of the CG Television copyrights in the PRC and a minority worldwide copyrights. Attaining these copyrights will bring about strong momentum for the long-term income of GDC.

3. 電腦圖像電視合作

中國動畫市場的未來正吸引著越來越多的國際知名動畫企業。本集團利用環球數碼創意的製作水準和緊貼市場的背景，現正與多家國際公司洽談合作製作電腦圖像電視。通過合作，本公司將取得電腦圖像電視在中國的大部分版權和全球的小部分版權，這些版權的獲得將為公司長遠的收入帶來強力的後勁。

4. The development of CG Markets in China

This year, GDC started entering into the CG markets in China and had generated income from the Chinese CG market. GDC planned to jointly develop the CG market in the scope of education in China with well known Chinese media corporation. The Group believes that the immense market volume in China will provide enormous development opportunities for GDC.

4. 中國電腦圖像市場開發

本年度公司開始進入中國電腦圖像市場，並已從中國電腦圖像市場產生收入。公司計劃與中國著名的傳媒集團共同開發中國教育領域的電腦圖像市場。本集團相信中國龐大的市場容量將為公司帶來巨大的發展機會。

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**II. CG Training**

With only thousands of CG operators in practice, and the shortage of hundred thousand in the CG labour market, there is enormous market demand for CG training in China. The IDMT's training business is now developing rapidly. IDMT has expanded its presence in Xi'an, Jinan and Shenyang by opening IDMT authorised training centers in the three cities. IDMT also continued to provide industry-leading CG training courses in its own training centers in Shanghai and Shenzhen. In 2005, there were over 200 students graduated from IDMT and more than 250 full-time students enrolled in the CG training courses in Shanghai and Shenzhen. The Group is still planning to open new training centers in more Chinese cities.

With expanded in-house CG training facilities and increased training locations, IDMT's CG animation training business will be robust and continue to grow in 2006. We are actively discussing with international digital media creation training partners to expand our curriculum.

III. Digital Content Distribution and Exhibition

In July 2005, Digital Cinema Initiatives, LLC ("DCI") formally released its digital cinema ("DC") specifications, establishing a digital distribution format, digital exhibition requirements and addressing security concerns. DCI was created in March 2002, as a joint venture of Disney, Fox, MGM, Paramount, Sony Pictures Entertainment, Universal and Warner Bros. Studios. DCI's primary purpose is to establish and document voluntary specifications for an open architecture for DC that ensures a uniform and high level of technical performance, reliability and quality control.

II. 電腦圖像培訓

中國幾千名的電腦圖像從業人員和十萬名的電腦圖像市場人才缺口，造成了電腦圖像培訓的極大的市場需求。環球數碼媒體的培訓業務正在高速發展。環球數碼媒體科技已經透過在西安、濟南及瀋陽三個城市開設特許的環球數碼媒體科技培訓中心來擴大其規模。環球數碼媒體科技同時又繼續在其自設的上海及深圳培訓中心提供行業內領先的電腦圖像培訓課程。在二零零五年，超過200名學員從環球數碼媒體科技畢業而超過250名全日制學員修讀環球數碼媒體科技在上海及深圳開辦的電腦圖像培訓課程。本集團還計劃於中國更多的城市開設新的培訓中心。

隨著內部電腦圖像培訓設施擴充及培訓場地有所增加，環球數碼媒體科技的電腦圖像動畫培訓業務將於二零零六年高速發展及持續增長。本公司正積極與國際數碼媒體創作夥伴討論擴大本公司的課程。

III. 數碼內容發行及展示

於二零零五年七月，Digital Cinema Initiatives, LLC (「DCI」) 正式公佈其數碼影院(「數碼影院」)規格，建立一個數碼發行之制式、數碼展示規定並解決安全方面之問題。DCI於二零零二年三月創立，是Disney、Fox、MGM、Paramount、Sony Pictures Entertainment、Universal及Warner Bros. Studios之合資公司，旨在為數碼影院之開放架構建立及訂明參考規格，以確保技術表現、可靠性及質量控制均維持統一及高水準。

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The last quarter of 2005 saw a flurry of activity as the DC business models were established; Hollywood studios (Disney, Warner Bros. Pictures, 20th Century Fox, Universal Pictures, Sony Pictures and DreamWorks) entered into landmark agreements with third-party DC facilitators where virtual print fees would be paid for the DC rollout. In December 2005, a major US cinema chain — Carmike Cinemas pactured with a third-party DC facilitator — Christie/AIX to install up to 2,300 DC projection systems. At the same time, US largest cinema group — National CineMedia also announced its intention to develop DC business that would eventually rollout DC to more than 13,000 screens it currently operates.

DC began in Year 1999 with the first DC installations in the US in time for Star Wars Episode 1. After six years of struggling, many industry observers would agree that DC conversion would take place in 2006 with the sound business models as well as universal DC specifications from Hollywood. Most observers would agree that DC brings many benefits such as the saving of print fees, improved copyrights protection, improved flexibility to theaters for the booking of alternative content such as concerts and sporting events, more choice of movies that can be stored in the cinema multiplex, among others. However, less than 1% of the world cinemas have converted to digital by 31 December 2005.

GDC believes DC will continue to represent a growth market for GDC Holdings and its subsidiary, GDC Tech. The revenue of GDC Tech for the year ended 31 December 2005 was approximately HK\$20.0 million, which compared with the turnover of GDC Tech for the year ended 31 December 2004 of HK\$42.9 million, represented a decrease of approximately 53.4%.

隨著數碼影院業務模式之建立，二零零五年最後一個季度湧現眾多活動；荷里活電影公司 (Disney、Warner Bros. Pictures、20th Century Fox、Universal Pictures、Sony Pictures及DreamWorks) 與第三方數碼影院服務商訂立了里程碑式協議，訂明虛擬印刷費用將於數碼影院首次推出時支付。於二零零五年十二月，美國主要影院連鎖公司Carmike Cinemas與第三方數碼影院服務商Christie/AIX議定安裝高達2,300套數碼影院投影系統。同時，美國最大之影院集團 (National CineMedia) 亦宣佈有意開發數碼影院業務計劃，最終於其現時經營之逾13,000家放映廳中推出數碼影院。

數碼影院於一九九九年創立，美國是首個安裝數碼影院之國家，當時正值《星球大戰前傳1》上映。經過六年之爭扎，眾多業內人士均認為，隨著數碼影院業務模式的完善以及荷里活公佈通用數碼影院規格，傳統影院將於二零零六年轉換為數碼影院。大多數人士認為數碼影院擁有眾多優勢，其中包括節省沖印費用、改善版權保護、提高劇院預訂作另類用途 (如音樂會及體育賽事) 之靈活性及影院可存放更多電影以供選擇。然而，截至二零零五年十二月三十一日，全球已轉換為數碼影院之影院不足1%。

環球數碼創意相信，數碼影院業務將繼續為GDC Holdings及其附屬公司GDC Tech的一個增長市場。GDC Tech於截至二零零五年十二月三十一日止年度之收益約為20,000,000港元，較截至二零零四年十二月三十一日止年度之42,900,000港元下降約53.4%。

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The significant decrease in GDC Tech's revenue was due to the increase in competition in the DC and electronic-cinema ("EC") markets and uncertainty due to the lack of a DCI compliant server. The Group increasingly faced competitive threats and pricing pressure in all of the DC and EC markets. Although none of the server manufacturers in year 2005 has developed DC server that completely meets DCI specifications, some manufacturers had taken the risk of simply implementing the newly adopted DCI codec — JPEG2000 in their server that would eventually need future upgrade to meet DCI specifications on security features among others. The delay in the development of the Group's DCI compliant server may adversely affect the Group's ability to compete in the DC market.

However, the adoption of open standards in DCI specifications might improve the Group's chances to compete with bigger and larger competitors in the DC market. Since open standards technologies are based upon non-proprietary technology in which none of the companies maintains ownership over the dominant technologies. As such, GDC Tech being based in Asia with lower operation and manufacturing costs might have competitive advantages over the bigger and larger companies that are based primarily in US and Europe.

GDC Tech continues its world leadership in its market share with over 500 servers delivered since year 2002. In year 2005, GDC Tech delivered more than one hundred servers and ten EN1000 DSR™ Digital Mastering Systems. EN1000 prepares content for DC and is the preferred choice for leading post-production facilities worldwide. To date, over 160 full-length feature films, numerous advertisements and alternative contents have been prepared at mastering sites worldwide in China, India, Japan, Germany, the Netherlands, Singapore, Taiwan and the US.

GDC Tech收益大幅下降乃因數碼影院及電子影院（「電子影院」）市場競爭加劇及因缺乏DCI兼容伺服器而產生的不明朗因素。本集團在所有數碼影院及電子影院市場面臨之競爭威脅及定價壓力不斷加劇。儘管二零零五年並無伺服器製造商開發出完全符合DCI規格之數碼影院伺服器，但部份製造商已在其伺服器上冒險應用新採用之DCI codec—JPEG2000，該等伺服器最終需於未來作出升級，以滿足DCI規格中有關（其中包括）安全性能之規定。本集團開發DCI兼容伺服器的延誤將對本集團在數碼影院市場之競爭能力帶來不利影響。

然而，在DCI規格中採用公開標準將有利於本公司在數碼影院市場中與大型競爭者競爭。公開標準技術乃基於非專利技術，任何公司對該主導技術均沒有擁有權。因此，相對於主要位於美國及歐洲之大型公司而言，建基於經營及製造成本較低之亞洲的GDC Tech便更具競爭優勢。

GDC Tech之市場份額仍居世界領先地位，自二零零二年以來共交付逾500台伺服器。於二零零五年，GDC Tech交付逾100台伺服器及10套EN1000 DSR™ Digital Mastering Systems。EN1000為數碼影院編製內容，是全球領先後期製作設施之最佳選擇。至今為止，在中國、印度、日本、德國、荷蘭、新加坡、台灣及美國等世界主要製作網站已經編製出逾160部大型長片、眾多廣告及其他不同內容。

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GDC Tech continues to receive orders from customers in Europe, China, India, Korea, US, Japan and Singapore despite of the intense competition in the industry. GDC Tech products have been deployed in more than 25 provinces in China. In 2005, GDC Tech has entered into an agreement with China largest digital cinema equipment service company which is dedicated to provide services for digital cinemas including sales, installation and after sales service of DC equipment in China. GDC Tech's DSR™ DC servers now make up for approximately 85% of the total China digital cinema market.

During the year, one of the GDC Tech's major customers did not meet the target of installing servers for the year. The customer has temporary stopped the order of new servers until the upgrade of digital projectors from a single chip to 3-chip DLP projectors is complete. GDC Tech continues its discussion with the customer for the order of new servers. However, GDC Tech has expanded its market share in India by retrofitting a small number of cinemas in South India with GDC Tech's digital servers. GDC Tech's flagship product — SA1000 DSR™ DC servers have also been selected by India's up market multiplex for India's first commercial DC to screen Hollywood films digitally. Sathyam Cinemas is a 5 screen multiplex in the heart of the Chennai Metropolis. Sathyam's multiplex hosts an array of films in Tamil, English, Hindi and, occasionally, other South Indian languages and the multiplex is the country's highest attended theatre.

Overall, GDC Tech has led the number of server installations in China, in Asia and worldwide.

In 2005, GDC Tech is the content delivery and display sponsor of Asia largest entertainment event — Hong Kong Entertainment Expo. Hong Kong Entertainment Expo is the first mega entertainment event in Asia to bring together film and television programming, film financing, film festival, film awards, music and digital entertainment. 18 PLASMA, 9

儘管所從事行業之競爭激烈，但GDC Tech仍不斷接獲來自歐洲、中國、印度、韓國、美國、日本及新加坡客戶之訂單。GDC Tech產品已在中國逾25個省市使用。GDC Tech與中國最大之數碼影院設備服務公司於二零零五年訂立協議。該公司致力向數碼影院提供服務，包括在中國數碼影院設備的銷售、安裝及售後服務。GDC Tech之DSR™數碼影院伺服器現約佔中國數碼影院市場總額之85%。

於本年度內，GDC Tech之主要客戶並未達到安裝伺服器之當年目標。該客戶已暫停發出訂單，直至將單晶片數碼放映機升級為三晶片DLP放映機完成為止。GDC Tech將繼續就供應全新伺服器與該客戶進行商討。然而，GDC Tech亦藉著採用GDC Tech數碼伺服器將印度南部少量影院進行翻新而擴大了其於印度市場之佔有率。GDC Tech之旗艦產品SA1000 DSR™數碼影院伺服器亦獲印度高檔多次放映廳電影院所選用。Sathyam Cinemas為印度首家以數碼形式上映荷里活電影之商業數碼影院，其位於Chennai Metropolis中心，是一家擁有5間放映廳之影院。Sathyam之眾多放映廳可放映泰米爾語、英語、印地語電影，有時亦放映其他印度南部語言電影，是該國家最賣座之影院。

總而言之，GDC Tech在中國、亞洲及全球安裝之伺服器數目均保持領先地位。

於二零零五年，GDC Tech是亞洲最大娛樂節目『香港影視娛樂博覽』之內容傳送及顯示贊助商。香港影視娛樂博覽是融電影及電視節目、電影融資、電影節、電影獎項、音樂及數碼娛樂於一體之亞洲首個大型娛樂節目。該博覽使用之18台等離子、

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LCD monitors and 5 projectors at the Expo were centrally controlled by GDC Tech new product — **DSR™ Display Maestro** that manages the delivery and playback of content in various resolutions and formats to different display devices. The PLASMA wall is synchronised to single frame accuracy with **DSR™ Display Maestro** that enhances the look of the content on PLASMA and LCD monitors. With **DSR™ Display Maestro**, exhibitors can now display the full array of trailers, advertisements and alternative digital content on both the in-lobby PLASMA/LCD monitors and in-theatre screens using projectors from a central server. The various display devices can now be programmed to playback a sequence of images or video in coherency. Besides, up-to-the-last minute content can be delivered to all the various display devices connected to a central server by wire or wireless. In the past, frame accurate programmable video wall comprising a matrix of PLASMA/LCD monitors is a luxury few multiplex operators could afford. GDC Tech's affordable solution — **DSR™ Display Maestro** shall change all that. Up-to-the-last minute programmable video wall, at a fraction of the cost of the existing solutions, shall become the most essential advertising tool of the multiplex cinema operators.

In 2005, GDC Tech products have been used in a successful cross-continent transmission of digital cinema content packaged in the industrial standard MXF format. The event marks an important milestone for the development of digital cinema. The digital content such as DCI StEM (Standard Evaluation Material) and Hollywood feature films were prepared in the DCI adopted MXF format and was securely delivered from US to DC theatres with GDC Tech's DSR™ SA1000 DC servers upgraded with MXF capability located in Thailand and Singapore via satellite. This complete working model allows studios to securely deliver digital content to Singapore, localise it and re-transmit the localised content for regional distribution. Immediately after this event, GDC Tech is the first company that successfully upgraded its worldwide SA1000 servers with MXF

9台液晶顯示器及5台放映機均由GDC Tech之新產品**DSR™ Display Maestro**集中控制，該產品負責將不同解像度及制式之內容傳輸及播放至不同顯示設備。透過使用**DSR™ Display Maestro**，等離子牆即能實現單幀準確同步播放，令等離子及液晶顯示監視器上之內容展示效果更佳。透過**DSR™ Display Maestro**，展示商如今可由中央伺服器同時將電影預告片、廣告及其他數碼內容播放在大堂內的等離子／液晶顯示器上及經由放映機播放到影院內屏幕上。目前，多種顯示設備均可被編排作播放一組連貫高協調的圖像或視頻。此外，最新的內容皆可被傳送至透過有線或無線方式連接至中央伺服器之所有不同之顯示設備。以前，包含等離子／液晶顯示監視器矩陣之幀準確可編程視頻牆僅是少數多放影廳影院運營商所能維持之奢侈品。GDC Tech之**DSR™ Display Maestro**解決方案收費合理，將完全改變此種現象。最新可編程視頻牆之成本遠低於現有之解決方案，它將成為多放影廳影院運營商的最基本廣告工具。

於二零零五年，GDC Tech產品已成功用於將以行業標準MXF制式錄製之數碼影院內容進行洲際間傳送。該事件是數碼影院發展之重要里程碑。DCI StEM等數碼內容及荷里活製作的影片均在採納MXF制式之DCI中編製，並透過人造衛星經由GDC Tech之DSR™ SA1000 DC Servers (使用MXF性能升級)，從美國安全傳送至泰國及新加坡之數碼影院。該完整工作模式允許影院安全地將數碼內容傳送至新加坡，然後實施地方化，並將地方化之內容重新傳送作地區性發行。緊接該事件後，GDC Tech成為首家成功將其全球SA1000伺服器升級至使用MXF性能之公司。GDC Tech再次領導業界，遙遠為行業內經已部署之大部份

CHIEF EXECUTIVE OFFICER'S REVIEW & OUTLOOK

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capabilities. GDC Tech once again leads the industry by remotely upgrading most of the servers deployed in the field to MXF while maintaining backward compatible with GDC Tech's proprietary DSR™ format.

伺服器升級至MXF，同時維持與GDC Tech之專利DSR™格式相容之舊有格式。

In December 2005, GDC Tech successfully demonstrated its digital cinema solution which is adopted by DCI to a large contingent of CineAsia delegates in Beijing. At CineAsia, GDC Tech presented DCI-compliant equipment including JPEG2000 codec and security feature such as forensic marking. In addition, GDC Tech also presented an innovative "Digital Censor Key" solution for repackaging contents without altering the originally encoded contents — a highly anticipated solution for digital releases in countries where censorship is a concern.

於二零零五年十二月，GDC Tech在北京新東安影院成功向亞太電影博覽會大型代表團展示被DCI採用之數碼影院解決方案。GDC Tech於亞太電影博覽會展示了JPEG2000 codec等DCI兼容設備及安全性能，如防偽標記等。此外，GDC Tech亦就重新包裝內容提出一項創新「Digital Censor Key」解決方案。由於該方案無需改變原有加密內容，因此就對審查制度感到憂慮之國家之數碼發行而言，其是一項期望值較高之解決方案。

Outlook

CG Content Creation and Production

In 2006, IDMT aims to become the largest and most sophisticated 3D CG content creation and production studio in China. We will continue improve our artistic and technical skills and match our animation production capability and efficiency with that of world leading studios. Our collaboration with world class animation partners will not only allow us to achieve multifold revenue growth in 2006, but also give us continue revenue stream from worldwide distribution in years to come.

CG Training

In 2006, IDMT plans to set up another 5 authorised training centers in China. IDMT will also develop more high end training courses. By expanding its presence and providing more CG training courses, IDMT will be able to secure its leading position on CG training in China and maintain high growth on income from CG training.

展望

電腦圖像創作及製作

於二零零六年，環球數碼媒體科技之目標為成為中國規模最大及技術最先進的三維電腦圖像創作及製作公司。本公司將繼續改善本公司的審美眼光及技巧，以便本公司的動畫製作能力及效率可與世界領先的公司一爭長短。本公司與世界級動畫夥伴合作，不但使我們在二零零六年可錄得數倍收益增長，更可使我們在來年從世界各地的發行中繼續獲得收益。

電腦圖像培訓

於二零零六年，環球數碼媒體科技計劃在中國再開設5間授權培訓中心，並將發展更多高端培訓課程。透過擴展業務範圍及提供更多電腦圖像培訓課程，環球數碼媒體科技將得以鞏固其在中國電腦圖像培訓市場之領先地位，並維持電腦圖像培訓收入之高速增長。

CHIEF EXECUTIVE OFFICER'S REVIEW & OUTLOOK

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**Digital Content Distribution and Exhibitions**

According to an industrial report prepared by Scenic Wonders Inc. and Digital Cinema Report, the compound annual growth rate (CAGR) in D-cinema installations over the years 2005 — 2009 period will range from approximately 120% to 140%. In fact, GDC does observe an increase in the number of DC installations exceeding the predicted figures in the abovementioned report.

GDC shall continue to deliver DSR™ range of DC equipment to customers around the world, and to increase GDC's market share in the DC market. Today, GDC Tech dominates the world market in DC solution; GDC Tech have sold over 500 DSR™ servers in the marketplace. GDC Tech possesses both the high-end D-cinema and economical electronic cinema server technologies.

GDC envisages the conversion of public area display systems used for outdoor advertisement to digital systems. Digital signage offers marketers and advertisers a unique and innovative tool to bring classic advertising to life. Networks of digital advertising displays show animated messages, precisely targeted at the audience, be it movies-goers in a cinema multiplex, shoppers in a mall, or commuters going home. GDC Tech has developed a digital signage server — SDM4000 DSR™ Display Maestro in an attempt to capture the potential growth in this market. SDM4000's programmable, networked LCD and LED display solutions offer a dynamic, high-impact medium for the advertising agencies. SDM4000 is developed in 2005 and GDC Tech expects to revenue from the sales of SDM4000 in year 2006. SDM4000 has wide applications such as providing cafeterias and shopping malls ease of content delivery and impressive presentation to networked LCD, PLASMAS or LED displays.

數碼內容發行及展示

根據Scenic Wonders Inc.編製之行業報告及數碼影院報告，預期數碼影院安裝業務在二零零五年至二零零九年期間之複合年增長率 (CAGR) 將達到約120%至140%不等。事實上，環球數碼創意確實發現數碼影院安裝業務之增長數字超出上述報告中之預測數字。

環球數碼創意將繼續向全球客戶提供DSR™系列數碼影院設備，以提升我們於數碼影院市場之佔有率。時至今日，GDC Tech已成為全球在數碼影院解決方案市場的主導者，GDC Tech已於各地市場售出逾500台DSR™伺服器。GDC Tech擁有高端數碼影院及經濟型電子影院伺服器兩項技術。

環球數碼創意預期用於室外廣告之公共區域顯示系統將逐步被數碼系統所代替。數碼宣傳板為市場賣家及廣告商提供一種獨特創新之工具，以令傳統廣告充滿動感。數碼廣告顯示網絡以動畫訊息形式準確定位目標人群，如去影院看電影之人士、在商場購物之人士或回家途中之人士等。GDC Tech已開發出一種數碼宣傳板伺服器，即SDM4000 DSR™ Display Maestro，旨在把奪取此市場之增長潛力。SDM4000之可編程聯網液晶顯示器及發光二極管顯示解決方案，為廣告代理提供了一種動態、高效之媒介。SDM4000於二零零五年開發完成，預期SDM4000於二零零六年開始產生收益。SDM4000用途廣泛，如方便自主餐廳及購物商場之內容交付，以及令連接網絡之液晶顯示屏、等離子顯示屏或發光二極管顯示屏更加光彩奪目。

DIRECTORS' AND SENIOR MANAGEMENT PROFILE

董事及高級管理人員簡介

**Executive Director****Non-Executive Director**

Mr. Cao Zhong, aged 46, graduated from Zhejiang University, the PRC and Graduate School, The Chinese Academy of Social Sciences with a bachelor degree in engineering and a master degree in economics respectively. He is the chairman and non-executive director and a joint chairman of the Company in February 2006. He was appointed as the chairman of Shougang Concord Century Holdings Limited and Shougang Concord Technology Holdings Limited, the deputy chairman and general manager of Shougang Holding (Hong Kong) Limited, the managing director of Shougang Concord International Enterprises Company Limited and the vice chairman and managing Director of Shougang Concord Grand (Group) Limited. He also acts as the assistant general manager of Shougang Corporation and the chairman of China Shougang International Trade and Engineering Corporation. Mr. Cao has extensive experience in corporate management and operation.

Mr. Leung Shun Sang, Tony, aged 62, holds a Master Degree in Business Administration of New York State University. He was appointed as a non-executive director of the Company in December 2005. He is a non-executive director of Shougang Concord International Enterprises Company Limited, Shougang Concord Grand (Group) Limited, Shougang Concord Technology Holdings Limited and Shougang Concord Century Holdings Limited, all of which are companies listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Leung is also the managing director of CEF Holdings Limited. He has extensive experience in areas of finance, investment and corporate management.

Dr. David Deng Wei, aged 42, Chairman and Chief Executive Officer of 億陽集團. He was appointed as a director of the Company in April 2003. Dr. Deng holds a bachelor degree in Electronic Engineering, a master degree in Business Administration and a PhD. degree in Economics and is a senior engineer. He was a member of the Ninth and Tenth Committee of the Chinese People's Political Consultative Conference, Executive Committee Member of the National Federation of Industry and Commerce, Standing Committee Member of the National Federation of Youth, Vice Chairman of the Young Entrepreneur Association of the PRC. Dr. Deng was also one of the 'Ten Most Outstanding Youth in the PRC' in its Tenth annual election and received a 'May Labor Day' Excellent National Award.

執行董事**非執行董事**

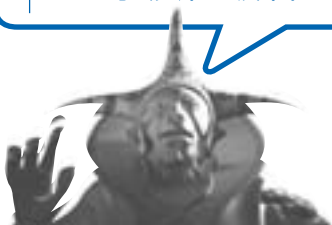
曹忠先生，46歲，畢業於中國浙江大學及中國社會科學院研究生院，持有工學學士學位及經濟學碩士學位。曹先生於二零零六年二月先後任本公司之主席兼非執行董事兼聯席主席。彼亦為首長寶佳集團有限公司及首長科技集團有限公司之董事長、首鋼控股(香港)有限公司之副董事長兼總經理、首長國際企業有限公司之董事總經理及首長四方(集團)有限公司之副主席兼董事總經理。彼亦擔任首鋼總公司之總經理助理及中國首鋼國際貿易工程公司之董事長。曹先生於公司管理及營運方面有豐富經驗。

梁順生先生，62歲，持有紐約州立大學工商管理學碩士學位。彼於二零零五年十二月獲委任為本公司非執行董事。彼亦為首長國際企業有限公司、首長四方(集團)有限公司、首長科技集團有限公司及首長寶佳集團有限公司之非執行董事(所有該等公司均在香港聯合交易所有限公司主板上市)。梁先生亦為加拿大怡東集團有限公司之董事總經理。彼於金融範疇、投資及企業管理方面擁有豐富經驗。

鄧偉博士，42歲，億陽集團董事長兼總裁，彼於二零零三年四月獲委任為本公司董事。鄧博士持有電子工程學學士、工商管理碩士、經濟學博士學位。彼為高級工程師，曾任第九屆、第十屆全國政協委員、全國工商聯執委、全國青聯執委、中國青年企業家協會副會長。鄧先生亦是第十屆「中國十大傑出青年」、全國「五一」勞動獎章獲得者。

DIRECTORS' AND SENIOR MANAGEMENT PROFILE

董事及高級管理人員簡介

**Executive Director**

Mr. Chen Zheng, aged 46, is an engineer and a senior economist. He was appointed as a director of the Company in February 2005. Mr. Chen holds a bachelor degree in chemical engineering and a master degree in business administration. He is appointed an executive Director and the General Manager of the Company in February 2005. He is also an executive director of Shougang Concord Grand (Group) Limited. Mr. Chen has extensive experience in investing business and corporate management.

Mr. Jin Guo Ping, aged 47, senior economist, holds a master of business administration degree of China Europe International Business School (CEIBS), occupies current social positions as follows: Chairman of China Animation Association, Syndic of China Film Producer's Association and Vice President of China Film Association. Meanwhile, he has also accepted as visiting professor in Animation School of Beijing Film Academy, Counselor of Animation School of Jinlin College of the Arts and Korea Animation Association.

From 1994 to 2005, Mr. Jin worked as the Director of Shanghai Animation Film Studios, and the chairman in Shanghai Yilimei Animation Company Limited, the chairman in Shanghai Carton Culture Developing Co. Ltd. and Proprieter in «Cartoon King» magazine concurrently. Meanwhile, he also worked as Vice President in Shanghai Film Group Corporation, vice the chairman in Shanghai United Film Chain Co., Ltd, director of Shanghai Paradise Co. Ltd (2002-2004), General Manager in Shanghai Animation Film & TV (Group) (1999-2002) and Vice Chairman in Shanghai Television Station (1996-1999) concurrently. From 1995 to 2000, Mr. Jin worked as Syndic in International Animation Association (ASIFA), and accepted the invitation as appraiser in Ottawa International Animation Festival of Canada. He has extensive experience in animation and film industries.

執行董事

陳征先生，46歲，工程師及高級經濟師。彼於二零零五年二月獲委任為本公司董事。陳先生持有化學學士學位及工商管理碩士學位。陳先生於二零零五年二月獲委任為本公司之執行董事兼總經理。彼亦為首長四方(集團)有限公司之執行董事。陳先生於投資業務及企業管理方面擁有豐富經驗。

金國平先生，47歲，高級經濟師，持有中歐國際工商學院(CEIBS)工商管理碩士學位。現任的社會職務：中國動畫學會會長、中國電影制片人協會理事、上海電影家協會副主席。同時，彼還應邀擔任為北京電影學院動畫學院客座教授、吉林藝術學院動畫學院顧問及韓國動畫協會顧問。

金先生在1994年至2005年任上海美術電影制片廠廠長、兼任上海億利美動畫有限公司董事長、上海卡通文化發展有限公司董事長和《卡通王》雜誌社社長。在此期間，彼還先後兼任上海電影集團公司副總裁、上海聯和電影院線有限公司副董事長、上海永樂股份有限公司董事(2002年至2004年)、上海動畫影視(集團)公司總經理(1999年至2002年)及上海電視台副台長(1996年至1999年)。1995年至2000年任國際動畫聯會(ASIFA)理事，並年應邀擔任為加拿大渥太華國際動畫電影節評委。彼於動畫及電影行業有豐富經驗。

DIRECTORS' AND SENIOR MANAGEMENT PROFILE

董事及高級管理人員簡介



In the last ten years, Mr. Jin had schemed and supervised the following animation films and teleplays, «The Lotus Lamp», «Liang Shanbo and Zhu Yingtai», «I'm Crazy about Music», «Around The World in 80 Days» (Sino-German), «Gods of Honour Legend», «Legend of Sui Tang Hero», «Snow White and Frog Prince», «White Dove Island», «Talent Inventor» (Sino-Australian) and «Detective Duck» (Sino-Canadian).

Dr. Catherine Xu Qing, aged 39, holds PhD of Electronic Engineering from University of Virginia and BS of Electronic Engineering from Peking University. She was appointed as vice president and director of the Company on 17 October 2005 and 06 February 2006 respectively. She has extensive experience of business development and marketing experience in the internet, wireless and digital entertainment industries for 14 years. Dr. Xu was the Vice President for business development of eTrieve, Inc., an integrated messaging service company. She was also the Chief Executive Officer and co-founder of Right4Me.com, a LinkedIn.com like mobile internet community company. Before that, she had held director positions in marketing, sales and business development in American Online and Netscape for their Asia-Pacific operations.

Independent Non-Executive Director

Mr. Gordon Kwong Che Keung, aged 56, was a graduate of the University of Hong Kong in 1972 and qualified as a chartered accountant in England in 1977. He was appointed as an independent non-executive director of the Company in April 2003. Mr. Kwong was a partner of PriceWaterhouse Hong Kong from 1984 to 1998. He has 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. Currently, he is 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 Co. Limited, Vision Century Corporation Limited, NWS Holdings Limited, China Oilfield

近10年中，金先生擔任策劃和監制的動畫電影和電視劇有《寶蓮燈》、《梁山伯與祝英台》、《我為歌狂》、《環遊地球八十天》(中德合拍)、《封神榜傳奇》、《隋唐英雄傳》、《白雪公主與青蛙王子》、《白鴿島》、《天才發明家》(與澳大利亞業合拍)、《鴨子偵探》(中加合拍)等。

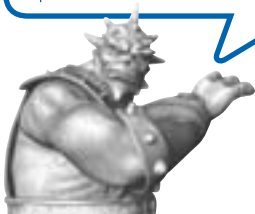
徐清博士，39歲，持有維珍尼亞大學電機博士學位及北京大學無線電學學士學位。彼於二零零五年十月十七日及二零零六年二月六日分別獲委任為本公司副總裁及董事。彼於互聯網、無線及數碼娛樂行業之企業發展及市場擁有14年豐富的經驗。徐博士曾為eTrieve, Inc. (一間綜合信息服務公司)任職副總裁負責企業發展。彼亦為Right4Me.com (一間類似於LinkedIn.com的移動社交網絡公司)之執行總裁及共同創立者。之前，彼亦於美國在線及網景為亞太區市場總監，處理亞太區市場，銷售及業務發展。

獨立非執行董事

鄺志強先生，56歲，於一九七二年畢業於香港大學，並於一九七七年在英格蘭獲得特許會計師資格。彼於二零零三年四月獲委任為本公司獨立非執行董事。自一九八四年至一九九八年，鄺先生乃羅兵咸會計師事務所的合夥人。自一九九三年至一九九五年，鄺先生為香港政府中央政策小組之兼職成員，一九九二年至一九九七年，其作為聯交所理事會之獨立理事期間，鄺先生擔任聯交所監察委員會及上市委員會之會議召集人。目前，鄺先生乃多間香港上市公司之獨立非執行董事，包括：中遠國際控股有限公司、天津發展控股有限公司、北京首都國際機場股份有限公司、威新集團有限公司、新創建集團有限公司、中海油田服務股份有限公司、正奇投資有限公司、中國誠通發展集團有限公司、中國平安保險(集團)

DIRECTORS' AND SENIOR MANAGEMENT PROFILE

董事及高級管理人員簡介



Services Limited, Concepta Investments Limited, China Chengtong Development Group Limited, Ping An Insurance (Group) Company of China, Limited, Quam Limited, Tom Online Inc., China Power International Development Limited, New World Mobile Holdings Limited, Henderson Land Development Company Limited, Henderson Investment Limited and Agile Property Holding Limited.

Mr. Bu Fan Xiao, aged 59, graduated from Zhejiang University in 1982 majoring in Chemical Engineering with automation concentration, and was then an undergraduate culture researcher. Mr. Bu has over 20 years of experience in administrative management. He was appointed as an independent non-executive director of the Company in May 2005. Mr. Bu has been the vice-chancellor of Zhejiang University since 1992 and the chairman of Qware Technology Group Co. Ltd. since 1998.

Mr. Stephen Hui Hung, aged 48, is the managing director of Federal Glory Industrial Limited and Federal Glory Investment Consultancy Company. He was appointed as an independent non-executive director of the Company in February 2006. Prior to joining the Board, Mr. Hui 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. He has extensive experience in banking, investment and financing investment in Mainland China. He graduated from Middlesex University in the United Kingdom in 1982 with a Bachelor of Arts degree in Economics and Geography. Mr. Hui has been conferred a Master of Business Administration in 2001 by the Barrington University of the United States. Mr. Hui had also been an independent non-executive directors of Shougang Concord Century Holdings Limited and Shougang Concord Grand (Group) Limited (listed companies in Hong Kong). Currently, Mr. Hui is also an independent non-executive directors of Techwayson Holdings Limited which is a listed company in The Stock Exchange of Hong Kong Limited.

股份有限公司、華富國際控股有限公司、Tom Online Inc.、中國電力國際發展有限公司、新世界移動控股有限公司、恒基兆業地產有限公司、恒基兆業發展有限公司及雅居樂房地產有限公司。

卜凡孝先生，59歲，一九八二年於浙江大學畢業，主修化工系自動化專業，其時並為大學本科文化研究員。卜先生擁有超過20年行政管理經驗。彼於二零零五年五月獲委任為本公司獨立非執行董事。卜先生由一九九二年起任浙江大學副校長，自一九九八年起亦為快威科技集團有限公司董事長。

許洪先生，48歲，為盟亮實業有限公司及盟亮融資顧問公司之董事總經理。彼於二零零六年二月獲委任為本公司獨立非執行董事。在加入董事會前，許先生曾於國際商業信貸銀行有限公司設於香港之遠東區總部，出任中國業務部經理。彼對中國大陸之銀行業務、投資及投資融資安排方面均具有豐富經驗。彼於一九八二年畢業於英國 Middlesex University，獲經濟及地理學學士學位。許先生於二零零一年獲美國巴靈頓大學頒授工商管理碩士學位。許先生曾出任首長寶佳集團有限公司及首長四方(集團)有限公司(香港上市公司)之獨立非執行董事。現時，許先生並獲委任為德維森控股有限公司(於香港聯合交易所有限公司上市之公司)獨立非執行董事之職。

DIRECTORS' AND SENIOR MANAGEMENT PROFILE

董事及高級管理人員簡介

**Senior Management**

Ms. Ellen Xu Ling, aged 43, is the General Manager of Institute of Digital Media Technology (Shenzhen) Ltd., a wholly-owned subsidiary of the Group. Ms. Xu graduated from Shandong Teachers' University with Bachelor of Art degree in English Language and Literature. Ms. Xu has over 13 year of experience in animation industry in China and was a production manager of Pacific Rim animation Co. Ltd, an American animation Studio in Shenzhen from 1990-1994. She participated in production of many Hollywood projects. She has also over 7 years of experience in marketing. She has served as one of the judges for Animation of 18th Golden Eagle Award, the biggest award for TV programs in PRC China and in currently an active member of Cartoon Commission of the Chinese TV Artists Association in China.

Dr. Chong Man Nang, aged 40, is the Chief Executive Officer of GDC Technology Limited, which is a subsidiary of the Company. GDC Technology pioneers digital post-production, delivery and presentation technologies. GDC Technology is a leader in digital cinema products and has an unsurpassed track record of successfully installing more than 400 servers worldwide and half a million perfect screenings of full-length feature films.

Dr. Chong received his B. Eng. (1st Honours) and Ph.D. degrees, both in Electronic and Electrical Engineering from University of Strathclyde, UK in 1988 and 1992, respectively. Prior to joining GDC Technology Limited, he is an associate professor of School of Computer Engineering at Nanyang Technological University, Singapore, from 1992 to 2000. He is also leading the digital film, high definition television and digital TV research in Singapore. Dr. Chong has been actively involved in the field of image processing, video coding, digital cinema and motion picture restoration for over a decade.

高層管理人員

許翎女士，43歲，任本集團全資附屬製作公司環球數碼媒體科技研究(深圳)有限公司的總經理。其畢業於山東師範大學，並持有英語言文學學士學位。許女士在動畫行業有13年之經驗。從1990至1994年擔任太平洋動畫公司(Pacific Rim Animation)，在深圳的一家美國動畫公司，擔任之作經理。曾經參與過多部好萊塢動畫電影和電視片的製作。許女士亦在市場推廣方面有7年經驗。許女士乃第18屆電視金鷹獎(中國最大的電視獎項)動畫片的評委之一。目前，她是中國電視藝術家協會卡通藝委會的活躍成員。

張萬能博士，40歲，為GDC Technology Limited(一間香港公眾上市公司—環球數碼創意控股有限公司之附屬公司)之行政總裁。GDC Technology乃數碼後期製作、傳輸及放映技術之先鋒。GDC Technology為數碼影院產品之領導者，並已取得在全球成功安裝超過400台伺服器及完美放映五十萬次長片電影之超卓成績。

張博士分別於一九八八年及一九九二年取得英國University of Strathclyde電子及電氣工程專業一級榮譽工程學士學位及博士學位。於加入GDC Technology Limited之前，於一九九二年至二零零零年期間，張博士曾在新加坡南洋理工大學計算機工程學院擔任副教授一職。彼在新加坡亦一直負責帶領數碼電影、高清晰度電視及數碼電視之研究工作。張博士已積極投身於影像處理、視像編碼、數碼影院及底片修復領域逾十年之久。

DIRECTORS' AND SENIOR MANAGEMENT PROFILE

董事及高級管理人員簡介



In 1996, Dr. Chong led a team to win the worldwide Texas Instruments' Digital Signal Processing Solutions Challenge US\$100,000 award. In 1999, Dr Chong founded Nirvana Digital Pte Ltd, a leading digital signal processing company and was subsequently acquired by Acterna Incorporation (NASDAQ: ACTR) in 2000. Acterna Incorporation is the holding company of Da Vinci Systems Incorporation which is the market leader in providing digital film, HDTV and SDTV colour enhancement technology to the worldwide post-production marketplace. Dr Chong was the Chief Consultant of Da Vinci Technologies from Year 2000-2002. Dr Chong is credited with the architecture, design, and successful commercial release of Nirvana's awardwinning REVIVAL DIGITAL® product lines. REVIVAL DIGITAL® has been used to restore a large number of movies.

於一九九六年，張博士所率領之隊伍贏得德州儀器舉辦之全球數碼訊號處理解決方案挑戰賽100,000美元之獎金。於一九九九年，張博士創立Nirvana Digital Pte Ltd（一間領先之數碼訊號處理公司，隨後於二零零零年被Acterna Incorporation（納斯達克代號：ACTR）收購）。Acterna Incorporation為Da Vinci Systems Incorporation（一間向全球後期製作市場提供數碼電影、高清晰度電視及標準清晰度電視色彩加強技術之領先公司）之控股公司。張博士於二零零零年至二零零二年期間擔任Da Vinci Technologies之首席顧問。張博士因參與建造、設計並成功向市場推出Nirvana之獲獎產品REVIVAL DIGITAL®產品線而享譽業界。REVIVAL DIGITAL®一直用於存儲大量影片。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

**Financial Review**

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

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

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

Allowance for production work in progress made during the year ended 31 December 2005 amounted to approximately HK\$24.7 million which, comparing with allowance for production work in progress of approximately HK\$84.6 million made during the year ended 31 December 2004, represent a decrease of approximately 71%. As most of the costs incurred and capitalised for the production of an animation movie *Thru the Moebius Strip* (the "Movie") and a television series *Panshel's World* ("Panshel") had been provided for during the year ended 31 December 2004, allowance of the same nature made during the year decreased. As the prospects for full recovery of the cost incurred and capitalised

財務回顧

截至二零零五年十二月三十一日止年度，本集團錄得收益約32,200,000港元，較截至二零零四年十二月三十一日止年度之收益約48,000,000港元，下跌了約33%。

收益的下落主要由於客戶於年內因等待業界的技術標準出台而延遲發出訂單，導致數碼影院設備銷售下跌所造成。準客戶因擔心到GDC設備跟行業中的技術標準在配合上之升級及兼容能力而採取了「觀望態度」。同時，電腦圖像創作及製作與電腦圖像培訓課程產生的收入增長局部抵銷了數碼影院設備銷售的下落。

截至二零零五年十二月三十一日止年度，銷售成本約為34,800,000港元，較截至二零零四年十二月三十一日止年度之銷售成本約35,300,000港元，減少約1%。銷售成本下跌幅度少於收益下跌，主要因為本集團於年度內開展了電腦圖像創作及製作外判商業業務，而該新增業務在扣除若干開辦成本後仍未產生盈利所致。本集團在數碼影院設備銷售及展示和電腦圖像培訓方面仍然維持有毛利。

在製項目撥備在截至二零零五年十二月三十一日止年度約為24,700,000港元，較截至二零零四年十二月三十一日止年度之在製項目撥備約84,600,000港元，下跌了約71%。由於大部分由製作動畫影片《魔比斯環》（「該電影」）和電視連續劇 *Panshel's World*（「Panshel」）所產生並資本化的成本皆已於截至二零零四年十二月三十一日止年度作出撥備，本年度內需為相同性質而作出的撥備因而下跌。由於未能確定可否全數收復該電影產生並資本化的成本，董事認為不應再把該等成本列作資產看待，故已作出全數撥備。因Panshel所

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析



for the Movie is uncertain, the Directors consider that it is no longer proper keeping such costs as an asset and therefore make full allowance for the costs. Cost incurred and capitalised for Panshel had already been fully provided for during the year ended 31 December 2004.

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

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

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

產生並資本化的成本經已在截至二零零四年十二月三十一日止年度全數撥備。

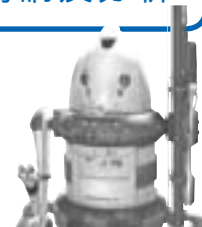
分銷成本在截至二零零五年十二月三十一日止年度約為2,000,000港元，較截至二零零四年十二月三十一日止年度之發行成本約4,200,000港元，約下跌了52%。分銷成本的下降跟數碼影院設備銷售下跌有關。

行政費用在截至二零零五年十二月三十一日止年度約為37,400,000港元，較截至二零零四年十二月三十一日止年度約34,700,000港元之行政費用，上升了約8%。該輕微上升乃主要來自本集團管理層為改善內部管理及效率而重組所引起的費用。

已確認物業、廠房及設備之減值虧損在截至二零零五年十二月三十一日止年度約為2,400,000港元，較截至二零零四年十二月三十一日止年度約14,900,000港元之同性質減值虧損，約下跌了84%。於截至二零零四年十二月三十一日止年度所確認之虧損乃本集團正在遷出之租賃物業內所有裝修的賬面值全數金額。於年度內，由於損毀及技術落伍所確認之虧損乃電腦設備、數碼影片加密裝置及伺服器的賬面淨值全數金額。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析



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

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

Business review

The Company has adjusted its strategy and entered into the business of subcontractor of CG creation and production, while developing its businesses in digital content distribution and exhibitions and CG training.

CG creation and production

Post production works for the Movie have been completed. However, as market response to the Movie was different from expected, the Directors considered the financial result of the release of the Movie to the market is uncertain.

During the year under review, the Group entered into the business of subcontractor of CG creation and production, for including TV series, games and commercials, that is expected to bring steady income to the Group. By 31 December 2005, the Group has concluded several contracts and started related production. As it was a new business and was started in the second half of the year, the Group has not generated profit after deducting starting up costs from the business. However, from orders received after the year end, the new business is expected to be successful.

融資成本在截至二零零五年十二月三十一日止年度約為7,700,000港元，較截至二零零四年十二月三十一日止年度約5,500,000港元之融資成本，約上升了40%。融資成本上升乃主要因為銀行借貸及其他貸款的結欠增加而引起的新增利息成本。本集團於截至二零零五年十二月三十一日止年度及之前多年皆蒙受虧損。本集團之營運及供本集團發展的物業、廠房及設備部份以銀行借貸及其他貸款及來自一家同系附屬公司的貸款支持。

整體業績而言，本集團於截至二零零五年十二月三十一日止年度蒙受約76,400,000港元虧損，較截至二零零四年十二月三十一日止年度約131,200,000港元之虧損，約下跌了42%。

業務回顧

本公司已經修正其策略，進入電腦圖像創作及製作加工商業務，同時，又發展其數碼內容發行及展示與電腦圖像培訓等業務。

電腦圖像創作及製作

該電影的後期製作工作已經完成。唯由於市場對該電影的反應與預期不符，董事認為無法確定推出該電影到市場的財務業績。

在回顧年度，本集團進入了替該電視連續劇、遊戲及商業廣告服務的電腦圖像創作及製作加工商業務，該業務預期可替本集團帶來穩定收入。截至二零零五年十二月三十一日，本集團已經洽商完成幾份合約及開展了有關的製作工作。由於是新設業務而又在下半年內才開展，本集團在扣除開辦該等業務之成本後尚未從中取得利潤。但從年末後所收到的訂單推算，該新增業務相信會有所成。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

**Digital content distribution and exhibitions**

Market environment for digital cinema equipment was not favourable during the year under review. Potential customers concerned the upgradeability/compatibility of the Group's products in compliance with the new industrial technical standard. For this reason, some of the potential customers has deferred placement of orders until the standard was issued in July 2005. In the second half of the year 2005, after the industrial technical standard having been issued, value of orders received by the Group was more than double of the value in the first half of the year.

CG training

Revenue from CG training increased mainly due to increase in both number of courses provided and average number of students attending each course, especially after the expansion of the Group's CG training center in Shanghai. The Group also expanded its capacity of providing training course by franchise arrangements.

Outlook**CG creation and production**

Post production works for the Movie has been completed. The Movie is scheduled to be released in the PRC in the year 2006. Activities promoting the Movie have been continuing.

The value of orders received after the year end of 2005 proves that the Group's strategy of entering the business of subcontractor of CG creation and production will likely be successful. The Group has been successful in generating net operational cash inflow by the subcontractor business in some of the months in the year 2006. The Directors aim at developing the business to be a source providing steady cash inflow based on which the Group will recover from losses incurred in previous years and develop.

As CG creation and production is an industry encouraged by central and local governments in the PRC, it is expected that the Group will be benefited by various forms of support from the governments, including tax refund, subsidies for compensation of rental and interest expenses.

數碼內容發行及展示

在回顧年內，數碼影院設備的市場狀況欠佳。準客戶擔心本集團產品跟新訂的行業內技術標準在配合上之升級及兼容能力。據此，部份準客戶已經延期發出訂單至該等標準在二零零五年七月發行之後。因此，當該行業內標準在二零零五年下半年發出後，本集團收到的訂單總值已高出同年上半年的一倍。

電腦圖像培訓

自電腦圖像培訓所得收益的增長主要由所提供課程數量及各課程平均收生數字兩者上升有關，特別是本集團擴建在上海的培訓中心之後。本集團同時也以授權方式以擴大其提供訓練班的能力。

展望**電腦圖像創作及製作**

該電影的後期製作工作已經完成。該電影已經排期於二零零六年在中國公映。有關該電影的推廣活動現正繼續。

從二零零五年年末之後接獲的訂單量，已證明本集團進入電腦圖像創作及製作加工商業務的策略可能將有所成。本集團已成功由該加工商業務在二零零六年中多個月份產生淨營運現金流入。董事立志要把該業務發展為一項可提供穩定現金流入的來源，以此替本集團收復以往多年所蒙受的虧損及再發展。

在中國，由於電腦圖畫創作及製作乃一項中央及地方政府皆鼓勵的行業，預期本集團將可從退稅、租金及利息開支的補償津貼等多種形式政府支持之下深深得益。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

**Digital content distribution and exhibitions**

From the recent issues of magazines related to digital cinema industry, it is believed that digital cinema will be rolled out in large scale in the year 2006. Considering that the Group's products are among those best complying with the industrial technical standard, the Group will be benefited by the expected roll-out and generate revenue substantially higher than current level. In that case, sales of digital cinema equipment will become a point of significant growth of the Group.

In view of the potential of business of sales of digital cinema equipment, the Group is strengthening its division specialised in the business by means including increasing equity investment in the division, as well as adding new shareholders to the division. The Group will also continue invest in research and development in technology of digital cinema in order to maintain the Group's leading position in the industry and to capture the largest possible benefit from the expected roll-out of digital cinema.

CG training

The Group is expanding its capacity and geographic coverage of providing CG training course by both expanding of its own facilities and increasing franchise partners. The segment will continue to be a profitable division of the Group.

Liquidity and Financial Resources

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

數碼內容發行及展示

根據近期出版的有關數碼影院行業雜誌，預期數碼影院將於二零零六年年內大規模普及。考慮到本集團產品已躋身最符合行業內技術標準的產品，本集團將可乘該預期中的普及產生大幅度高於平日水平的收益。因此，數碼影院設備銷售將可成為本集團可觀的增長點。

考慮到數碼影院設備銷售業務之潛力，本集團正透過加大資本投資等方式及引進新股東以強化其專營此行業的分部。本集團亦將繼續投資於研究及發展數碼影院科技以求維持本集團在行業內的領導地位及從預期中的普及盡可能取得最大的利益。

電腦圖像培訓

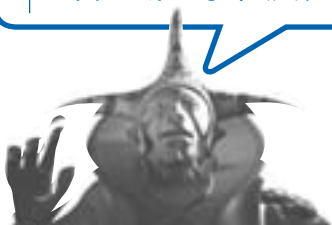
本集團正同時透過擴充其自置設施及增加授權合夥人以求擴大本集團提供電腦圖像培訓之產能及地區幅蓋範圍。此部門將繼續為本集團一個有利可圖的部份。

流動資金及財政資源

於二零零五年十二月三十一日，本集團之銀行結餘及現金及有抵押存款約為20,100,000港元（二零零四年：5,600,000港元），主要以港元及人民幣定值。數額增加主要因為本集團在結算日正進行重組／重續銀行借款以支持本集團之營運。有關銀行借款重續後，有抵押存款於結算日後減少。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析



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

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

Charge on assets

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

Capital structure

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

Contingent liabilities

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

於二零零五年十二月三十一日，本集團之借貸約為101,900,000港元，均須於二零零五年十二月三十一日後一年內償還。於二零零五年及二零零四年十二月三十一日，由於本集團相繼錄得資本虧絀，故並無呈列資本負債率（以銀行及其他借貸減銀行結餘及現金及已抵押存款除以股東資金計算）。

本集團之交易主要以港元、人民幣及美元定值。由於該等貨幣之間匯率頗為穩定，故本集團於年度內並無就外幣交易進行任何對沖。

資產質押

於二零零五年十二月三十一日，已抵押銀行存款、電腦設備及汽車之賬面值分別約16,500,000港元、2,300,000港元及21,000港元，以及本集團於環球數碼媒體科技研究(深圳)有限公司(本集團之全資附屬公司)註冊股本中之全部權益均已抵押於若干財務機構，作為本集團所獲授若干融資信貸之保證。

股本結構

於二零零五年十二月三十一日，本集團錄得資本虧絀約128,200,000港元，主要由內部資源、銀行及其他借貸支持。資本虧絀主要乃因於本年度之虧損約76,400,000港元及以前年度虧損所致。

或然負債

本公司就其附屬公司獲授予之一般信貸向銀行及其他人士作出約16,400,000港元之擔保。該等附屬公司於二零零五年十二月三十一日已動用之信貸額約為14,400,000港元（二零零四年：38,100,000港元）。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

**Litigation**

Save as the litigation in progress disclosed in note 42 to the financial statements, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries as the date of this report.

Employees

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

訴訟

除於財務報表附註42所披露進行之訴訟外，於本報告日期，本公司或其任何附屬公司概無牽涉任何重大訴訟或仲裁，而就董事所知，本公司或其任何附屬公司亦無任何重大之尚未了結或面臨之訴訟或索償。

僱員

於二零零五年十二月三十一日，本集團僱有330名（二零零四年：339名）全職僱員。本集團主要乃參照市場慣例、個人表現及工作經驗而釐定其僱員之薪酬。本集團為僱員提供之其他福利包括醫療保險、保險計劃、強積金、酌情花紅及僱員購股權計劃。

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

業務目標與實際業務進度比較



Business objectives from the Latest Practical Date to 31 December 2003 as stated in the Prospectus (only limited to those which have not been fulfilled in full as stated in the annual report of the Company for each of the financial year ended 31 December 2003 and 2004)

誠如招股章程所述由最後實際可行日期起至二零零三年十二月三十一日止之業務目標(僅限於在本公司截至二零零三年及二零零四年十二月三十一日止財政年度各年之年報內所述之尚未全面達成者)

Actual business progress
實際業務進度

CG creation and production
電腦圖像創作及製作

1. Complete *Thru the Moebius Strip* production and premiere.
完成魔比斯環製作並首次推出。

2. Sign up a US distributor for *Thru the Moebius Strip*.
就魔比斯環與美國一發行商簽訂合約。

1. The production of *Thru the Moebius Strip* was completed in May 2004 and was officially launched in the Cannes Film Festival in the same month.
*Thru the Moebius Strip*之製作已於二零零四年五月完成並於同月在康城電影節上正式推出。

2. GDC entered into a sales agency agreement (which was terminated in the second half of 2004) with Senator International Inc. in respect of the distribution of *Thru the Moebius Strip* in the US. GDC also received offers for distribution of *Thru the Moebius Strip* in the US.
環球數碼與Senator International Inc.就在美國發行*Thru the Moebius Strip*而訂立一份銷售代理協議(已於二零零四年下半年終止)。環球數碼亦收到有關在美國發行*Thru the Moebius Strip*之建議。

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

業務目標與實際業務進度比較



Business objectives from the Latest Practical Date to 31 December 2003 as stated in the Prospectus (only limited to those which have not been fulfilled in full as stated in the annual report of the Company for each of the financial year ended 31 December 2003 and 2004)

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Actual business progress
實際業務進度

3. Pre-sell *Thru the Moebius Strip* to markets other than the US.
向美國以外之市場預售 *魔比斯環*。

3. GDC pre-sold *Thru the Moebius Strip* to 7 markets other than the US. GDC also received offers from distributors from the rest of the world.
環球數碼已向美國以外之7個市場預售 *Thru the Moebius Strip*。
環球數碼亦收到世界其他市場發行商之建議。

4. Set up a merchandising arm and begin licensing of merchandise in the PRC market and other target markets.
成立商品銷售部，並開始在中國及其他目標市場推廣商品之專利權。

4. GDC set up a merchandising arm and started to license its products in PRC and other target markets in 2004.
環球數碼已於二零零四年成立商品銷售部，並開始在中國及其他目標市場推廣其商品之專利權。

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

業務目標與實際業務進度比較



Business objectives from the Latest Practical Date to 31 December 2003 as stated in the Prospectus (only limited to those which have not been fulfilled in full as stated in the annual report of the Company for each of the financial year ended 31 December 2003 and 2004)

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5. Begin development of prototype of *Thru the Moebius Strip* and *Sandman* console games in the US with Equinox.

開始與Equinox合作在美國開發魔比斯環及Sandman電視遊戲之初版。

6. Publish the first issue of CG, games and digital cinema print and e-magazine.

出版有關電腦圖像、遊戲、數碼相機打印及電子雜誌之創刊號。

**Actual business progress
實際業務進度**

5. GDC commenced the development of *Thru the Moebius Strip* game in house with other partners including Gameone Online Entertainment Group Limited ("Gameone").

環球數碼已開始與其他合作夥伴(包括Gameone Online Entertainment Group Limited (「Gameone」))共同開發Thru the Moebius Strip遊戲。

6. Instead of publishing the print version of CG, games and e-magazine, GDC started an online forum in relation to these topics. In addition, GDC published three textbooks relating CG in PRC.

環球數碼已放棄出版電腦圖像、遊戲、數碼相機打印及電子雜誌之印刷本，而開始推出有關該等內容之網上論壇。此外，環球數碼已在中國出版三套有關電腦圖像之教材。

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

業務目標與實際業務進度比較



Business objectives from the Latest Practical Date to 31 December 2003 as stated in the Prospectus (only limited to those which have not been fulfilled in full as stated in the annual report of the Company for each of the financial year ended 31 December 2003 and 2004)

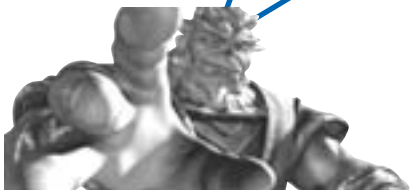
誠如招股章程所述由最後實際可行日期起至二零零三年十二月三十一日止之業務目標(僅限於在本公司截至二零零三年及二零零四年十二月三十一日止財政年度各年之年報內所述之尚未全面達成者)

Actual business progress
實際業務進度

- | | |
|---|---|
| <p>7. Finalise the appointment of Overseas Chinese Town as merchandising agent of GDC in the PRC.
落實委任華僑城為環球數碼在中國之商品銷售代理。</p> | <p>7. Overseas Chinese Town was appointed as the merchandising agent of GDC in PRC.
華僑城已獲委任為環球數碼在中國之商品銷售代理。</p> |
| <p>8. Begin pre-production of sequel to Thru the Moebius Strip.
開始魔比斯環續集之前期製作。</p> | <p>8. Not yet begun.
尚未開始。</p> |
| <p>9. Issue first comic based on Thru the Moebius Strip.
發行首部以魔比斯環為藍本之漫畫。</p> | <p>9. Not yet begun.
尚未開始。</p> |
| <p>10. Begin development of next online game and localization of Korean and Japanese games.
開始開發全新網上遊戲，並將韓國及日本網上遊戲本地化。</p> | <p>10. GDC set up a joint venture with Gameone to develop its next online game to be released in the third quarter of 2005.
環球數碼已與Gameone成立合資公司，以開發全新網上遊戲，並將於二零零五年第三季度推出該套遊戲。</p> |

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

業務目標與實際業務進度比較



Business objectives from 1 January 2004 to 30 June 2004 as stated in the Prospectus (only limited to those which have not been fulfilled in full as stated in the annual report of the Company for the financial year ended 31 December 2004)

誠如招股章程所述由二零零四年一月一日起至二零零四年六月三十日止之業務目標(僅限於在本公司截至二零零四年十二月三十一日止財政年度之年報內所述之尚未全面達成者)

Actual business progress

實際業務進度

CG creation and production

電腦圖像創作及製作

1. Launch localised Korean and Japanese on-line games in Greater China market.
在大中華地區市場推出本地化之韓國及日本網上遊戲。

2. Complete development of *Thru the Moebius Strip* and Sandman console games for publisher.
為出版商完成開發魔比斯環及Sandman電視遊戲。

3. Begin development of next prototypes.
開始開發全新網上遊戲之初版。

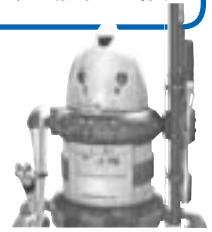
1. Not yet launched.
尚未推出。

2. GDC commenced the development of *Thru the Moebius Strip* game in house with other partners including Gameone.
環球數碼已開始與其他合作夥伴(包括Gameone)共同開發*Thru the Moebius Strip*遊戲。

3. Have developed two sets of prototypes for TV series.
環球數碼已開發兩套電視連續劇之初版。

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

業務目標與實際業務進度比較



Business objectives from 1 January 2004 to 30 June 2004 as stated in the Prospectus (only limited to those which have not been fulfilled in full as stated in the annual report of the Company for the financial year ended 31 December 2004)

誠如招股章程所述由二零零四年一月一日起至二零零四年六月三十日止之業務目標(僅限於在本公司截至二零零四年十二月三十一日止財政年度之年報內所述之尚未全面達成者)

Actual business progress

實際業務進度

- | | |
|--|--|
| <p>4. Market DVDs for Thru the Moebius Strip.
推出魔比斯環之DVD版。</p> | <p>4. The deal is in discussion.
有關交易現正進行洽談。</p> |
| <p>5. Complete The New Adventures of Raggedy Ann & Andy series and begin work on next series.
完成The New Adventures of Raggedy Ann & Andy系列並開始開發全新系列產品。</p> | <p>5. WAWC did not have the rights of this series and therefore GDC decided not to pursue on development of this series.
WAWC並無擁有本系列產品之版權，因此，環球數碼已決定放棄開發本系列產品。</p> |
| <p>6. Begin production of sequel of Thru the Moebius Strip.
開始製作魔比斯環之續集。</p> | <p>6. Not yet commenced.
尚未開始。</p> |

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

業務目標與實際業務進度比較



Business objectives from 1 January 2004 to 30 June 2004 as stated in the Prospectus (only limited to those which have not been fulfilled in full as stated in the annual report of the Company for the financial year ended 31 December 2004)

誠如招股章程所述由二零零四年一月一日起至二零零四年六月三十日止之業務目標(僅限於在本公司截至二零零四年十二月三十一日止財政年度之年報內所述之尚未全面達成者)

Actual business progress

實際業務進度

Digital content distribution and exhibitions

數碼內容發行及展示

1. Further supply digital cinema equipment to Adlabs.

進一步向Adlabs供應數碼影院設備。

1. Mukta Adlabs Digital Exhibition Limited ("Adlabs") did not meet the target of installing 400 servers for the year ended 31 December 2004. Adlabs has temporary stopped the order of new servers until the upgrade of digital projectors from a single chip to 3-chip DLP projectors is complete. GDC Technology continues its discussion with Adlabs for the order of new servers.

由於 Mukta Adlabs Digital Exhibition Limited (「Adlabs」) 截至二零零四年十二月三十一日止年度並未達到安裝400台伺服器之目標，故Adlabs已暫停購置全新伺服器，直至將單晶片數碼放映機更新為三晶片DLP放映機完成為止。GDC Technology將繼續就全新伺服器之訂單與Adlabs進行商討。

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

業務目標與實際業務進度比較



Business objectives from 1 January 2004 to 30 June 2004 as stated in the Prospectus (only limited to those which have not been fulfilled in full as stated in the annual report of the Company for the financial year ended 31 December 2004)

誠如招股章程所述由二零零四年一月一日起至二零零四年六月三十日止之業務目標(僅限於在本公司截至二零零四年十二月三十一日止財政年度之年報內所述之尚未全面達成者)

Actual business progress
實際業務進度

On the other hand, GDC Technology expanded its market share in India by reprofitting 5 cinemas in Southern India with GDC Technology's digital servers in 2004.

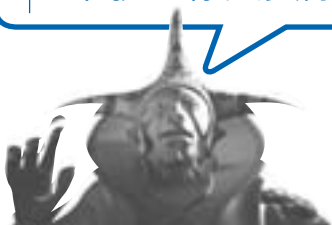
另一方面，於二零零四年，GDC Technology亦因採用GDC Technology之數碼伺服器將位於印度南部之5家電影院翻新，從而擴大了其於印度市場之佔有率。

2. Sign up around 80 digital cinemas in the PRC and rest of Asia, such as Singapore and Hong Kong.
與中國及亞洲其他地區如新加坡及香港共約80家數碼影院簽署合約。

2. The launch of further D-cinemas under the franchise model is currently delayed.
現已延遲有關按特許經營模式推出其他數碼影院。

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

業務目標與實際業務進度比較



Business objectives from 1 January 2004 to 30 June 2004 as stated in the Prospectus (only limited to those which have not been fulfilled in full as stated in the annual report of the Company for the financial year ended 31 December 2004)

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3. Continue with research and development for interactive digital cinema.

繼續研發互動式數碼影院。

Actual business progress

實際業務進度

3. GDC Technology continues some R&D programs that do not require substantial funding. Currently, GDC Technology does not carry out capital intensive R&D such as FPGA implementation of JPEG2000 codec and interactive digital cinema systems.

GDC Technology繼續若干無需大筆資金之研發項目。目前，GDC Technology並無進行資本密集研發，如FPGA實施JPEG2000 codec及互動式數碼影院系統。

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

業務目標與實際業務進度比較



Business objectives from 1 July 2004 to 31 December 2004 as stated in the Prospectus (only limited to those which have not been fulfilled in full as stated in the annual report of the Company for the financial year ended 31 December 2004)
 誠如招股章程所述由二零零四年七月一日起至二零零四年十二月三十一日止之業務目標(僅限於在本公司截至二零零四年十二月三十一日止財政年度之年報內所述之尚未全面達成者)

Actual business progress
 實際業務進度

CG creation and production
 電腦圖像創作及製作

- | | |
|---|--------------------------------|
| 1. Complete production of first part of sequel to Thru the Moebius Strip.
完成製作魔比斯環續集之前期部份。 | 1. Not yet commenced.
尚未開始。 |
| 2. Launch further on-line games in Greater China market.
在大中華地區市場推出其他網上遊戲。 | 2. Not yet launched.
尚未推出。 |
| 3. Begin pre-production of next film.
開始全新電影之前期製作。 | 3. Not yet begun.
尚未開始。 |

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

業務目標與實際業務進度比較



Business objectives from 1 July 2004 to 31 December 2004 as stated in the Prospectus (only limited to those which have not been fulfilled in full as stated in the annual report of the Company for the financial year ended 31 December 2004)

誠如招股章程所述由二零零四年七月一日起至二零零四年十二月三十一日止之業務目標（僅限於在本公司截至二零零四年十二月三十一日止財政年度之年報內所述之尚未全面達成者）

Actual business progress

實際業務進度

Digital content distribution and exhibitions

數碼內容發行及展示

1. Further supply digital cinema equipment to Adlabs.

進一步向Adlabs供應數碼影院設備。

1. Mukta Adlabs Digital Exhibition Limited ("Adlabs") did not meet the target of installing 400 servers for the year ended 31 December 2004. Adlabs has temporary stopped the order of new servers until the upgrade of digital projectors from a single chip to 3-chip DLP projectors is complete. GDC Technology continues its discussion with Adlabs for the order of new servers.

由於 Mukta Adlabs Digital Exhibition Limited (「Adlabs」) 截至二零零四年十二月三十一日止年度並未達到安裝400台伺服器之目標，故Adlabs已暫停購置全新伺服器，直至將單晶片數碼放映機更新為三晶片DLP放映機完成為止。GDC Technology將繼續就全新伺服器之訂單與Adlabs進行商討。

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

業務目標與實際業務進度比較



Business objectives from 1 July 2004 to 31 December 2004 as stated in the Prospectus (only limited to those which have not been fulfilled in full as stated in the annual report of the Company for the financial year ended 31 December 2004)

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Actual business progress
實際業務進度

On the other hand, GDC Technology expanded its market share in India by reprofitting 5 cinemas in Southern India with GDC Technology's digital servers in 2004.

另一方面，於二零零四年，GDC Technology亦因採用GDC Technology之數碼伺服器將位於印度南部之5家電影院翻新，從而擴大了其於印度之市場佔有率。

2. Sign up further digital cinemas to reach a total of around 150 in the PRC and around 100 in rest of Asia, such as Singapore and Hong Kong.

與其他數碼影院簽署合約，以達致於中國約150家及亞洲其他地區(如新加坡及香港)約100家數碼影院之目標。

2. The launch of further Dcinemas under the franchise model is currently delayed.

現已延遲有關按特許經營模式推出其他數碼影院。

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

業務目標與實際業務進度比較



Business objectives from 1 July 2004 to 31 December 2004 as stated in the Prospectus (only limited to those which have not been fulfilled in full as stated in the annual report of the Company for the financial year ended 31 December 2004)

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3. Continue with research and development of the evolving digital cinema technology and specification (including interactive digital cinema and network-based entertainment system).
繼續研發拓展數碼影院科技及項目（包括互動式數碼影院及網絡娛樂系統）。

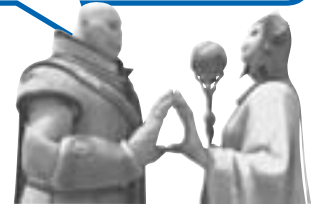
Actual business progress
實際業務進度

3. GDC Technology continues some R&D programs that do not require substantial funding. Currently, GDC Technology does not carry out capital intensive R&D such as FPGA implementation of JPEG2000 codec and interactive digital cinema systems.

GDC Technology繼續若干無需大筆資金之研發項目。目前，GDC Technology並無進行資本密集研發（如FPGA實施JPEG2000 codec及互動式數碼影院系統）。

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

業務目標與實際業務進度比較



Business objectives from 1 January 2005 to 30 June 2005 as stated in the Prospectus
 誠如招股章程所述由二零零五年一月一日起至二零零五年六月三十日止之業務目標

Actual business progress
 實際業務進度

CG creation and production
 電腦圖像創作及製作

- | | |
|--|--|
| 1. Market DVDs for sequel of Thru the Moebius Strip.
為魔比斯環續集之DVD進行市場推廣。 | 1. Not yet commenced.
尚未開始。 |
| 2. Complete second Japan film.
完成第二部日本電影。 | 2. No substantial progress.
並無重大進展。 |
| 3. Begin prototype for next console game.
開始下一個控制台遊戲之原型製作。 | 3. No substantial progress.
並無重大進展。 |
| 4. Launch further on-line games in Greater China.
在大中華地區進一步推出網上遊戲。 | 4. No substantial progress.
並無重大進展。 |
| 5. Begin production in next film project.
開始製作下一個電影項目。 | 5. No substantial progress.
並無重大進展。 |

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

業務目標與實際業務進度比較



Business objectives from 1 January 2005 to 30 June 2005 as stated in the Prospectus
 誠如招股章程所述由二零零五年一月一日起至二零零五年六月三十日止之業務目標

Actual business progress
 實際業務進度

Digital content distribution and exhibitions

數碼內容發行及展示

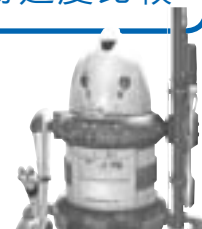
1. Further supply digital cinema equipment to Adlabs.
進一步向Adlabs供應數碼影院設備。

1. Mukta Adlabs Digital Exhibition Limited ("Adlabs") did not meet the target of installing 400 servers for the year ended 31 December 2004. Adlabs has temporary stopped the order of new servers until the upgrade of digital projectors from a single chip to 3-chip DLP projectors is complete. GDC Technology continues its discussion with Adlabs for the order of new servers. However, GDC Technology also expanded its market share in India by retrofitting more than 10 cinemas in South India with GDC Technology's digital servers.

由於 Mukta Adlabs Digital Exhibition Limited (「Adlabs」) 截至二零零四年十二月三十一日止年度並未達到安裝400台伺服器之目標，故Adlabs已暫停購置全新伺服器，直至將單晶片數碼放映機更新為三晶片DLP放映機完成為止。GDC Technology將繼續就全新伺服器之訂單與Adlabs進行商討。然而，GDC Technology亦因採用GDC Technology之數碼伺服器將位於印度南部之10家電影院翻新，從而擴大了其於印度市場之佔有率。

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

業務目標與實際業務進度比較


Business objectives from 1 January 2005 to 30 June 2005 as stated in the Prospectus

誠如招股章程所述由二零零五年一月一日起至二零零五年六月三十日止之業務目標

Actual business progress

實際業務進度

2. Sign up further digital cinemas in the PRC and rest of Asia, such as Singapore and Hong Kong, to reach total of around 250 and 120 respectively.

在中國及亞洲其他地區(例如新加坡及香港)進一步與數碼影院訂立合約，總數分別約為250間及120間。

2. The launch of further D-cinemas under the franchise model is currently delayed.

現已延遲有關按特許經營模式推出其他數碼影院。

3. Continue with research and development of the evolving digital cinema technology and specification (including interactive digital cinema and network-based entertainment system).

繼續研究及開發演進中的數碼影院科技及規格(包括互動數碼影院及以網絡為本的娛樂系統)。

3. GDC Technology continues some R&D programs that do not require substantial funding. Currently, GDC Technology does not carry out capital intensive R&D such as FPGA implementation of JPEG2000 codec and interactive digital cinema systems.

GDC Technology繼續若干無需大筆資金之研發項目。目前，GDC Technology並無進行資本密集研發(如FPGA實施JPEG2000 codec及互動式數碼影院系統)。

Provision of CG training courses

提供電腦圖像培訓課程

1. Continue to run the 5th CG training course in Shenzhen, the PRC and the 2nd CG training course in Shanghai, the PRC.

於中國深圳繼續營辦第五期電腦圖像培訓課程及於中國上海繼續營辦第二期電腦圖像培訓課程。

1. 136 students of the 5th CG training course in Shenzhen graduated on 31 May. The 2nd and 3rd CG courses in Shanghai were also successfully finished. 深圳第五期電腦圖像培訓課程之136名學員已於五月三十一日畢業。上海第二期及第三期電腦圖像培訓課程亦已圓滿結束。

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

業務目標與實際業務進度比較


Business Objectives from 1 July 2005 to 31 December 2005 as stated in the Prospectus

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Actual Business Progress
實際業務進度
CG creation and production
電腦圖像創作及製作

1. Complete "Thru Moebius Strip" production and premiere

完成「Thru Moebius Strip」製作並首次推出。

Production of this CG feature film has completed in production. It is planned to be released in China in summer of 2006.

該電腦圖像電影已製作完成。計劃於二零零六年夏季推出中國市場。

2. Recruited a new sales agent to distribute the film worldwide.

聘請新銷售代理，將該電影發行至全球市場。

GDC recruited Fantastic Films to distribute the film after the termination of the sales agent agreement with Senator International.

環球數碼與Senator International終止銷售代理合約後，聘請Fantastic Films發行該電影。

3. GDC has entered into 2 co-production agreements with 2 US studios to produce 6 CG features film in the 5 years.

環球數碼與兩間美國製作公司訂立兩項合作協議，五年內製作六部電腦圖像電影。

There hasn't been substantial progress with the production under these 2 agreements yet due to delay of fund raising by the producers in the US.

由於製作公司在美國籌集資金出現延誤，該兩項協議之製作並未取得重大進展。

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

業務目標與實際業務進度比較


Business Objectives from 1 July 2005 to 31 December 2005 as stated in the Prospectus

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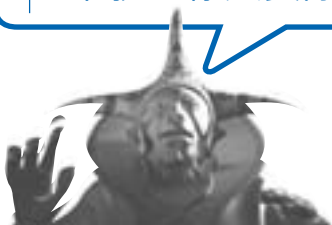
4. GDC is in negotiation with several major US production companies for co-production TV series and other "Work-for hire" only project.
環球數碼與美國數家著名製作公司，就共同製作電視連續劇及其他只限「出租工作」方案進行協商。

Actual Business Progress
實際業務進度

GDC signed contract with two US animation producing company to do production for two TV series and one DVD package. One of the contracts has been fulfilled in 2005 and the other projects are still in production. The DVD package is due to be completed in production by mid 2006. Another co-production contract has also been secured for a TV series of 52 episodes. GDC will share the right in both domestic as well as international market.
環球數碼與兩間動畫製作公司簽訂合約製作兩部電視連續劇及一套DVD套裝。已於二零零五年履行其中一份合約，另一個項目則仍在製作中。預期DVD套裝於二零零六年年中完成製作。另一份合作合約亦已取得一部52集電視連續劇之製作權。環球數碼將享有在本地市場及國際市場發行該電視劇之權利。

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

業務目標與實際業務進度比較


Business Objectives from 1 July 2005 to 31 December 2005 as stated in the Prospectus

誠如招股章程所述由二零零五年七月一日起至二零零五年十二月三十一日止之業務目標

5. GDC has entered a co-production agreement with Gameone Online Entertainment Group Limited to co-produce online games.

環球數碼與Gameone Online Entertainment Group Limited訂立合作協議，共同製作網上遊戲。

6. GDC are seeking opportunities for special effects productions in live action films.

環球數碼正物色有關實況動作電影特效製作業務之商機。

Actual Business Progress
實際業務進度

There hasn't been any substantial progress with the co-production yet. However, there has been more production service work signed and done for game companies in Europe, USA and Japan. GDC is in discussion with a French game company for licensing and developing the property of "Moebius" film into an online game.

合作並未取得重大進展。不過，在歐洲、美國及日本已訂立並完成多個製作服務工作。環球數碼就「Moebius」電影之專利費及開發其網上遊戲與法國遊戲製作公司進行商討。

The studio has been approached by a Chinese producer for doing special effects for a live action TV drama. Plans and budget have been provided to the producer. We expect to start the project in mid 2006 if fund is secured for this show.

製作公司與一間中國製作公司合作，為實況動作電視連續劇製作特效。已向該中國製作公司提供計劃及預算。如獲得該項目之資金，本公司預計於二零零六年年中開始製作該項目。

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

業務目標與實際業務進度比較


Business Objectives from 1 July 2005 to 31 December 2005 as stated in the Prospectus

誠如招股章程所述由二零零五年七月一日起至二零零五年十二月三十一日止之業務目標

Actual Business Progress

實際業務進度

7. GDC is doing production for commercials, and other special films.

環球數碼正製作商業及其他特別電影。

The company did production for a few commercials in 2005 and will continue this business as well as expanded the market to customised special films, such as multi-screen films.

本公司於二零零五年製作若干商業電影，並將繼續該等業務，同時擴展特別電影市場，如多幕電影。

8. We are actively developing new characters for merchandising and licensing.

本公司正積極創作新人物作商品銷售及推廣專利權。

We have selected a range of merchandizing items for the market. When the promotion of the film release starts in April, we expect to have good reactions from licensing. Other characters have been designed and created for projects which are merchandizing oriented for China market.

本公司已篩選一系列商品作銷售。本公司預期，該電影之推廣於四月開始時，申請專利權之反應將會非常踴躍。已為於中國市場推出之項目設計及創作其他人物。

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

業務目標與實際業務進度比較



Business Objectives from 1 July 2005 to 31 December 2005 as stated in the Prospectus
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Actual Business Progress
 實際業務進度

Digital content distribution and exhibitions

數碼內容發行及展示

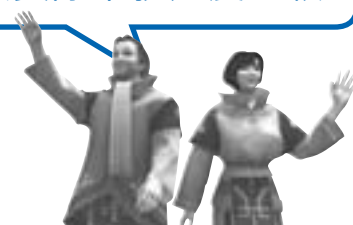
1. Further supply digital cinema equipment to Adlabs.
進一步向Adlabs供應數碼影院設備。

During the year, Mukta Adlabs Digital Exhibition Limited ("Adlabs") did not meet the target of installing 400 servers for the year ended 31 December 2005. Adlabs has temporary stopped the order of new servers until the upgrade of digital projectors from a single chip to 3-chip DLP projectors is complete. GDC Technology continues its discussion with Adlabs for the order of new servers but its is highly unlikely that will meet the target. However, GDC Technology's expanded its market share in India by retrofitting a few cinemas in South India with GDC Technology's digital servers.

於年內，Mukta Adlabs Digital Exhibition Limited (「Adlabs」) 截至二零零五年十二月三十一日止年度並未達到安裝400台伺服器之目標。Adlabs已暫停購置全新伺服器，直至將單晶片數碼放映機更新為三晶片DLP放映機完成為止。GDC Technology繼續就全新伺服器之訂單與Adlabs進行商討，但Adlabs達到目標之可能性極小。然而，GDC Technology因採用GDC Technology之數碼伺服器將位於印度南部之數家電影院翻新，從而擴大了其於印度市場之佔有率。

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

業務目標與實際業務進度比較



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Actual Business Progress
 實際業務進度

Digital content distribution and exhibitions

數碼內容發行及展示

2. Sign up further digital cinemas in the PRC and rest of Asia, such as Singapore and Hong Kong, to reach total of around 250 and 120 respectively.
 在中國及亞洲其他地區(例如新加坡及香港)進一步與數碼影院訂立合約，總數分別約為250間及120間。

The launch of further D-cinemas under the franchise model is currently delayed because it is lack of fund. At the end of 2005, China and Singapore have retrofitted approximately 200 and 22 digital cinemas respectively. Many Asia markets are also inviting third-party to expand on their D-cinema franchise. One of our competitors-EVS spun-out XDC and raised €9 millions in Q4 2004 to deploy the European digital cinema network. Similar to GDC IPO plan, XDC aims to digitise 500 cinema screens over the next two years. At the same time, XDC plans to enter into Asia and America markets through its subsidiary XDC Inc. New player such as Christie/AIX is also planning to work with local players to digitise cinema screens in Asia.

由於資金缺乏，現已延遲有關按特許經營模式推出其他數碼影院。於二零零五年年底，中國及新加坡分別翻新約200及22間數碼影院。眾多亞洲市場亦誠邀第三方拓展其數碼影院特許經營。環球數碼競爭者之一EVS旗下XDC於二零零四年第四季籌得9,000,000歐元，以部署歐洲數碼影院網絡。與環球數碼之首次公開招股計劃類似，XDC計劃於未來兩年將500間影院銀幕實現數碼化。同時，XDC計劃透過其附屬公司XDC Inc.拓展亞洲及美國市場。此外，Christie/AIX等新市場參與者亦計劃與地方市場參與者合作將亞洲影院銀幕數碼化。

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

業務目標與實際業務進度比較


Business Objectives from 1 July 2005 to 31 December 2005 as stated in the Prospectus

誠如招股章程所述由二零零五年七月一日起至二零零五年十二月三十一日止之業務目標

3. Continue with research and development of the evolving digital cinema technology and specification (including interactive digital cinema and network-based entertainment system).

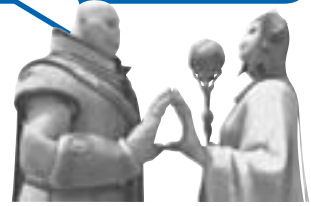
繼續研究及開發發展中的數碼影院科技及規格 (包括互動數碼影院及以網絡為本的娛樂系統)

Actual Business Progress
實際業務進度

GDC Technology begins its R&D programs to develop products that aim to meet DCI specifications published in July 2005. The DCI adopted MXF JPEG2000 Upgrade Kit is expected to be available in Q2 2006. GDC Technology has also developed Network Operations Center (NOC) software for content delivery, management and remote monitoring. New networked Server — SDM4000 Server has been developed for new applications such as in-lobby displays and digital signage. These additional products shall play an important role in providing a total end-to-end solution for our customers in 2006 and beyond. GDC Technology已開始其研發項目，以開發符合二零零五年七月刊發之DCI規格之產品。採用MXF JPEG2000升級包之DCI預期將於二零零六年第二季投放市場。此外，GDC Technology亦已開發出用於內容交付、管理及遠程監控之網絡運營中心 (NOC) 軟件。全新連接網絡伺服器，即SDM4000伺服器已開發出新用途，如廳內顯示及數碼宣傳板。該等額外產品將就於二零零六年及以後為客戶提供整體端對端解決方案發揮重大作用。

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

業務目標與實際業務進度比較



Business objectives from 1 July 2005 to 31 December 2005 as stated in the Prospectus
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Actual business progress
 實際業務進度

Provision of CG training courses

提供電腦圖像培訓課程

Continue to run the 6th CG training course in Shenzhen, the PRC and CG training course in Shanghai, the PRC. 繼續在中國深圳進行第六期電腦圖像培訓課程及在中國上海進行電腦圖像培訓課程。

120 students and 44 students attended the training courses in Shenzhen and Shanghai respectively. 於深圳及上海報讀培訓課程的學生分別有120人及44人。

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

本公司首次公開招股所得款項用途



The Directors had explained the reasons for the changes in the application of the net proceeds (the "IPO Proceeds") raised from the listing of the shares of the Company on GEM in August 2003 (the "Listing") and in the "Statement of business objectives" in an announcement made by the Company dated 26 February 2004 (the "February Announcement") and 19 August 2004 and the Directors would like to set out below the reasons, as required by the GEM Listing Rules.

The net amount of the IPO Proceeds, after deduction of related commission and expenses, amounted to approximately HK\$53.3 million. A comparison of the proposed usage of IPO Proceeds made in the Prospectus and subsequently in the February Announcement against the actual usage for the period ended 31 December 2005 is set out as follows.

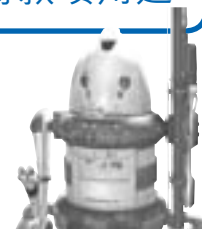
董事在本公司於二零零四年二月二十六日發表之公佈（「二月公佈」）及於二零零四年八月十九日發表之公佈中，詳述改變本公司在二零零三年八月在創業板上市（「上市」）以公開發售本公司之股份所得款項（「首次公開招股所得款項」）淨額用途及「業務目標陳述」之原因。董事按創業板上市規則之規定在下文載列有關原因。

首次公開招股之所得款項淨額（扣除有關佣金及費用後）約達53,300,000港元。載於招股章程及其後於二月公佈內之首次公開招股所得款項之建議用途與截至二零零五年十二月三十一日止期間之實際用途比較載列如下：

Application of proceeds	Proposed usage as stated in the Prospectus	Amounts utilised up to 31 December 2003 as stated in the February Announcement		Proposed usage as stated in the February Announcement	Adjusted proposed usage	Actual amounts utilised up to 31 December 2005		Difference
		於二月公佈所述直至二零零三年十二月三十一日已動用之數額	於招股章程內所述之建議用途			直至二零零五年十二月三十一日已動用之實際數額	差額	
應用所得款項								
				(Note 1) (附註1)	(Note 2) (附註2)			(Note 3) (附註3)
				(Approximate HK\$ million) (約百萬港元)				
Strengthening management and international marketing team	增強管理隊伍及國際市場推廣隊伍	4.9	3.3	—	3.3	13.2	9.9	
Developing digital cinema distribution network	開發數碼影院發行網絡	27.7	3.1	13.8	16.9	20.5	3.6	
Research and development of digital cinema technologies	研究及開發數碼影院技術	12.6	2.4	5.5	7.9	12.2	4.3	
Production maintenance and co-financing	製作支援及聯合出資	5.6	20.9	1.2	22.1	71.6	49.5	
Working capital	營運資金	2.5	3.1	—	3.1	15.0	11.9	
Total	總和	53.3	32.8	20.5	53.3	132.5	79.2	

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

本公司首次公開招股所得款項用途



Notes:

1. The proposed usage as stated in the February Announcement was based on the remaining portion of the IPO Proceeds available to the Group (approximately HK\$20.5 million) at the time of the making of the February Announcement to complete the business objectives of the Group from the date of the February Announcement to 31 December 2005.
2. The adjusted proposed usage is calculated based on the amounts utilised up to 31 December 2003 as stated in the February Announcement and the proposed usage as stated in February Announcement for the purpose of presenting the proposed usage of the IPO Proceeds upon publication of the February Announcement.
3. The difference between the actual amounts being utilised by the Group up to 31 December 2005 and the adjusted proposed usage of the IPO Proceeds upon publication of the February Announcement.

Reasons for the change of application of the IPO Proceeds (adjusted as mentioned above) in developing digital cinema distribution network

Since the publication of the Prospectus, the Directors experienced certain changes in the market conditions brought about by technological advancement in the D-cinema marketplace. As stated in the section headed "Statement of business objectives" in the Prospectus, the Group had, under the franchise business model, originally targeted the signing up to around 350 digital cinemas in the PRC and around 150 in the rest of Asia for the supply of digital projection and playback equipment by the end of 31 December 2005. The change in the amount spent on developing digital cinema distribution network was due to the Group's delay in the implementation of the franchise business model for D-cinemas in the PRC and the rest of Asia for the reasons set forth below.

附註：

1. 於二月公佈所述之建議用途乃根據於發表二月公佈時，本集團可使用之首次公開招股所得款項之剩餘部份（約20,500,000港元）以完成本集團自二月公佈發表日期起至二零零五年十二月三十一日止期間之業務目標而釐定。
2. 經調整建議用途乃根據於二月公佈所述直至二零零三年十二月三十一日已動用之數額以及於二月公佈所述之建議用途而計算（目的為呈列於發表二月公佈後，首次公開招股所得款項之建議用途）。
3. 本集團直至二零零五年十二月三十一日已動用之實際數額與首次公開招股所得款項於發表二月公佈後之經調整建議用途兩者之差額。

首次公開招股所得款項（如上文所述經調整）應用於發展數碼影院發行網絡之數額改變之原因

自從招股章程刊發以來，董事因市場上數碼影院科技進步而經歷一些改變。誠如招股章程內「業務目標陳述」所述，本集團以特許經營模式，初期目標預算在二零零五年十二月三十一日之前分別在中國大陸與約350家數碼影院及在亞洲其他地區與約150家數碼影院簽訂合約，以供應數碼投影及回放設備。用作發展數碼影院發行網絡之款項改變乃因本集團推遲在中國及亞洲其他地區推行特許經營業務模式，原因載於下文。

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

本公司首次公開招股所得款項用途



The franchise model for D-cinema was based on the use of projectors which carry the technical standard approved by the Hollywood major film distributors, represented by Digital Cinema Initiative, LLC ("DCI"). The digital distribution of major films, however, did not accelerate as anticipated but instead, DCI decided in the third quarter of 2003, to raise the bar of D-cinema standard to a resolution of 2K (which requires a projector at the resolution of 1,080 x 2,048 lines). Although the Group's product has already been upgraded to the 2K resolution standard in the third quarter of 2003, projector manufacturers of 2K digital light processor ("DLP") Cinema™ projectors (which is a component in the Group's product, DSR™ servers), could only produce small quantities of the 2K DLP Cinema™ projectors with resolution standard.

The Group had consequently concentrated its efforts in the sales of its products to India and the rest of the world, where does not require such high resolution standard, rather than waiting for the 2K projectors to become available. For the above reasons, the targets as stated in the sector headed "Statement of business objectives" of the Prospectus had to be altered.

Reasons for the change of application of the IPO Proceeds (adjusted as mentioned above) in production maintenance and co-financing

At the time of the IPO, the Directors expected that pre-sale contracts for certain countries/territories in respect of the distribution rights of the Film would have been concluded and completed by 31 December 2003, bringing pre-sale proceeds to finance the production. The increase in the spending on production maintenance and co-financing was due to the delay in the completion of the Film. As a result, the marketing and screening of the Film had to be delayed which had consequently affected the timing for the pre-sale of the Film. As set out in the announcement of the Company dated 19 August 2004, the Directors reported that all the production work of the Film had been completed, and intensive marketing of the Film was taking place in the US.

數碼影院之特許經營業務模式的基礎是以Digital Cinema Initiative, LLC ("DCI") 訂立及由荷里活電影發行商認可之技術準則所製成放映機的使用而來。但是，主要電影之數碼發行，並沒有比預期加快，反而，DCI在二零零三年第三季度決定提升數碼影院之條紋標準至2K解像度（放映機解像度須有1,080 x 2,048行），縱使本集團之產品在二零零三年第三季度已提升至2K解像度之標準，然而，2K數碼燈光處理器（「數碼燈光處理器」）Cinema™放映機（此乃本集團產品－DSR™服務系統組件）之放映機製造商，只能提供少量達至解像度標準之2K數碼燈光處理器Cinema™放映機。

本集團因此不再等待製成該等2K放映機，集中將產品銷往並不需要高解像度標準的印度市場及全球其餘地區。基於上述理由，招股章程「業務目標陳述」所載目標不得不更改。

首次公開招股所得款項（如上文所述經調整）應用於製作支援及聯合出資之數額改變之原因

在首次公開招股期間，董事預期在二零零三年十二月三十一日前，公司製作之該影片之發行權可在某國家／地區完結及完成預銷，並將預銷所得款項作生產之資金。用作製作支援及聯合出資之款額增加，是由於延遲完成該影片。因此，該影片之宣傳及試映須延期，繼以影響到該影片之預銷時間。誠如本公司於二零零四年八月十九日發表之公佈所述，董事已報告該影片之所有製作工作已完成，而該影片之密集式宣傳已於美國進行得如火如荼。

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING | 本公司首次公開招股所得款項用途



Since the pre-sale revenue of the Film did not materialise in late 2004, the Company had utilised additional cash resources from the IPO Proceeds (which would have been substantially financed from the pre-sale proceeds of the Film) to, inter alia, complete the Film.

由於在二零零四年末預售該影片未有帶來龐大收益，本公司動用首次公開招股所得款項之額外現金資源（原定用作撥資預售該影片）用作（其中包括，但不限於）完成該影片。

Financing of the difference of the actual amounts utilised up to 31 December 2005 and the IPO Proceeds

As mentioned above, the net amount of the IPO Proceeds, after deduction of related commission and expenses, amounted to approximately HK\$53.3 million. Further, as disclosed in the announcement of the Company dated 19 August 2004, the IPO Proceeds have been fully utilised. The Group utilised a total funding of approximately HK\$132.5 million from the period of the listing of the shares of the Company in August 2003 up to 31 December 2005, therefore exceeded the adjusted proposed usage of IPO Proceeds by approximately HK\$79.2 million. The Group financed such additional applications by, among others, (i) the placing of shares of the Company as disclosed in the announcement of the Company dated 5 May 2004; (ii) the unsecured loans provided by Mr. Anthony Francis Neoh (former Joint chairman and former non-executive Director); and (iii) the unsecured loans provided by SCG Finance Corporation Limited, a wholly-owned subsidiary of the major shareholder of the Company, SCG.

直至二零零五年十二月三十一日已動用之實際數額與首次公開招股所得款項相差金額之融資

誠如上文所述，首次公開招股所得款項淨額（扣除有關佣金及費用後）約達53,300,000港元。此外，誠如本公司於二零零四年八月十九日發表之公佈內所披露，首次公開招股所得款項已全數動用。由本公司股份於二零零三年八月上市起至二零零五年十二月三十一日止期間，本集團已動用之資金合共約為132,500,000港元，因此超出首次公開招股所得款項經調整建議用途之金額約79,200,000港元。本集團以（其中包括）：(i) 配售本公司股份（誠如本公司於二零零四年五月五日發表之公佈內所披露）；(ii) 梁定邦先生（前聯席主席兼非執行董事）所提供之無抵押貸款；及(iii) 本公司之主要股東首長四方之全資附屬公司首長四方財務有限公司所提供之無抵押貸款提供有關額外應用之資金。

REPORT OF THE DIRECTORS

董事會報告



The Directors have pleasure in presenting their annual report and the audited financial statements of the Company for the year ended 31 December 2005.

Principal Activities

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 41 to the financial statements.

Results

The results of the Group for the year ended 31 December 2005 are set out in the consolidated income statement on page 81.

Property, Plant and Equipment

Details of movements in the Group's property, plant and equipment during the year are set out in note 14 to the financial statements.

Summary Financial Information

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements is set out on page 170. This summary does not form part of the audited financial statements.

Share Capital

Details of movements during the year in the share capital of the Company are set out in note 33 to the financial statements and in the consolidated statement of changes in equity.

Distributable Reserves

At 31 December 2005, the Company did not have reserves available for distribution, calculated in accordance with the provisions of The Companies Act 1981 of Bermuda (as amended).

Major Customers and Suppliers

During the year, the five largest suppliers of the Group accounted for about 12% of its production costs and the largest supplier accounted for about 5% of the total production costs.

董事會欣然呈報本公司截至二零零五年十二月三十一日止年度之年報及經審核財務報表。

主要業務

本公司為一間投資控股公司，其主要附屬公司之業務載於財務報表附註41。

業績

本集團截至二零零五年十二月三十一日止年度之業績載於第81頁之綜合損益表內。

物業、廠房及設備

於本年度內，本集團之物業、廠房及設備之變動詳情載於財務報表附註14。

財務資料概要

本集團就最近五個財政年度業已發表之業績及資產及負債之概要（摘錄自各經審核財務報表並已作適當重新分類）載於第170頁。本概要並不構成經審核財務報表之一部份。

股本

於本年度內，本公司之股本之變動詳情乃分別載於財務報表附註33及綜合權益變動表內。

可供分派儲備

於二零零五年十二月三十一日，根據百慕達一九八一年公司法（經修訂）之條文規定計算，本公司並無可供分派儲備。

主要客戶及供應商

於本年度內，本集團之五大供應商佔其製作成本約為12%，而最大供應商佔其製作總成本約為5%。

REPORT OF THE DIRECTORS

董事會報告



During the year, the five largest customers of the Group accounted for about 44% of the of the Group and the largest customer accounted for about 12% of the revenue.

None of the Directors, their associates, or any shareholder of the Company (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) has any interest in any of the Group's five largest suppliers and customers.

Directors

The Directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. Chen Zheng (Chief Executive Officer)	(appointed on 15 February 2005 and re-designated as Chief Executive Officer on 16 February 2006)
Mr. Jin Guo Ping (Vice President)	(appointed on 6 February 2006)
Dr. Catherine Xu Qing (Vice President)	(appointed on 6 February 2006)
Mr. Raymond Dennis Neoh (Vice Chairman)	(resigned on 29 August 2005)

Non-executive directors:

Mr. Cao Zhong (Chairman)	(appointed on 16 February 2005, re-designated from non-executive director to executive director on 29 August 2005 and re-designated from executive director to non-executive director and as Chairman on 6 February 2006)
Dr. David Deng Wei (Vice Chairman)	
Mr. Leung Shun Sang, Tony	(appointed on 1 December 2005)
Mr. Anthony Francis Neoh (Joint Chairman)	(resigned on 30 December 2005)
Mr. Stephen Scharf	(resigned on 16 February 2005)

於本年度內，本集團之五大客戶佔本集團收益約為44%，而最大客戶佔其收益約為12%。

本公司之董事、彼等之聯繫人士或任何股東（就董事所知，為擁有本公司已發行股本超過5%者）概無於本集團之任何五大供應商及客戶中擁有任何權益。

董事

本公司於本年度內及直至本報告日期為止之董事如下：

執行董事：

陳征先生 (行政總裁)	(於二零零五年二月十五日獲委任，於二零零六年二月十六日轉任行政總裁)
金國平先生 (副總裁)	(於二零零六年二月六日獲委任)
徐清博士 (副總裁)	(於二零零六年二月六日獲委任)
梁定雄先生 (副主席)	(於二零零五年八月二十九日辭任)

非執行董事：

曹忠先生 (主席)	(於二零零五年二月十六日獲委任，於二零零五年八月二十九日由非執行董事轉任執行董事，於二零零六年二月六日由執行董事轉任主席兼非執行董事)
鄧偉博士 (副主席)	
梁順生先生	(於二零零五年十二月一日獲委任)
梁定邦先生 (聯席主席)	(於二零零五年十二月三十日辭任)
Stephen Scharf先生	(於二零零五年二月十六日辭任)

REPORT OF THE DIRECTORS

董事會報告

**Independent non-executive directors:**

Mr. Gordon Kwong Che Keung

Mr. Bu Fan Xiao (appointed on 30 May 2005)

Mr. Stephen Hui Hung (appointed on 1 February 2006)

Mr. Paul Kwan Yuen Chiu (retired on 30 May 2005)

Professor Japhet Sebastian Law (resigned on 1 February 2006)

Alternate Director:

Mr. Zhang Dong Sheng

(Alternative to Dr. David Deng Wei)

Pursuant to Clauses 86 and 87 of the Company's Bye-Laws, Messrs. Bu Fan Xiao, Leung Shun Sang, Tony, Stephen Hui Hung, Jin Guo Ping, Dr. Catherine Xu Qing and Dr. David Deng Wei will retire at the Company's forthcoming Annual General Meeting ("AGM") and, being eligible, offer themselves for re-election.

In addition to the Directors appointed to fill casual vacancies on the Board during the year, one third of the Directors shall retire by rotation and shall, if eligible, offer themselves for re-election.

None of the Directors being proposed for re-election at the forthcoming AGM has a service contract which is not terminatable by the Group within one year without payment of compensation, other than statutory compensation.

The non-executive Directors and independent non-executive Directors are subjected to retirement by rotation in the same manner as the executive Directors.

獨立非執行董事：

鄭志強先生

卜凡孝先生 (於二零零五年五月三十日獲委任)

許洪先生 (於二零零六年二月一日獲委任)

關遠釗先生 (於二零零五年五月三十日退任)

羅文鈺教授 (於二零零六年二月一日辭任)

替任董事：

張東生先生

(鄧偉博士之替任董事)

根據本公司之公司章程細則第86及87條，卜凡孝先生、梁順生先生、許洪先生、金國平先生、徐清博士及鄧偉博士將於本公司之應屆股東週年大會上(「股東週年大會」)退任，惟彼等合資格並願意膺選連任。

於本年度內，除為填補董事會職位臨時空缺而委任之董事外，三分之一董事須輪值告退，惟合資格並願意膺選連任。

擬於應屆股東週年大會上膺選連任之董事概無與本公司訂立本集團不得於一年內終止而毋須作出賠償(法定賠償除外)之任何服務合約。

非執行董事及獨立非執行董事均須按與執行董事相同之方式輪值告退。

REPORT OF THE DIRECTORS

董事會報告



Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares or Debentures

As at 31 December 2005, the interests and short positions of the Directors and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (Cap 571) ("SFO") as recorded in the register maintained under Section 352 of Part XV of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the required standard of dealings by Directors as referred to Rule 5.46 of the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rule"), were as follows:

Mr. Leung Shun Sang, Tony was personally interested in 8,278,000 shares and 679 share options of Shougang Concord Grand (Group) Limited, an associated corporation of the Company.

Save as disclosed above and the options holdings under section headed "Share Options", as at 31 December 2005, none of the Directors and the chief executive of the Company nor their associates had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 of the GEM Listing Rules.

董事及主要行政人員於股份、相關股份或債券中之權益及淡倉

於二零零五年十二月三十一日，董事及彼等之聯繫人士於本公司或其任何相聯法團（定義見證券及期貨條例（第571章）（「證券及期貨條例」）第十五部）之股份、相關股份及債券中擁有根據證券及期貨條例第十五部第352條存置之登記冊所記錄之權益及淡倉，或根據香港聯合交易所有限公司（「聯交所」）創業板（「創業板」）證券上市規則（「創業板上市規則」）第5.46條所規定之董事買賣準則而須另行知會本公司及聯交所之權益及淡倉如下：

梁順生先生個人擁有本公司之相聯法團首長四方（集團）有限公司之8,278,000股股份及679份購股權。

除上文所披露者外，於二零零五年十二月三十一日，本公司董事及主要行政人員概無於本公司及其相聯法團（按證券及期貨條例第十五部之涵義）之股份、相關股份及債券中擁有登記於根據證券及期貨條例第352條之規定須備存之登記冊內之任何權益及淡倉，或根據創業板上市規則第5.46條須另行知會本公司及聯交所之任何權益及淡倉。

REPORT OF THE DIRECTORS

董事會報告

**Share Options****SOTAS Option**

On 5 June 2003, the Company granted a share option to Sotas Limited, a company incorporated in the BVI with limited liability and wholly-owned by Morningside Cyber Ventures Holdings Limited, which is in turn a wholly-owned subsidiary of Verrall Limited in its capacity as trustee of a family trust established by Mrs. Chan Tan Ching Fen, who was taken to be interested in the shares disclosed herein in her capacity as founder of the trust (as defined in the SFO) referred to above upon the listing of the shares on GEM, which entitles Sotas Limited to acquire 8,331,615 shares of the Company within 36 months from 4 August 2003, the date of listing of the shares, at an aggregate exercise price of US\$600,000.

As at 31 December 2005, the share option to Sotas Limited had been cancelled.

購股權**SOTAS購股權**

於二零零三年六月五日，本公司向 Sotas Limited，一間於英屬處女群島註冊成立之有限公司及由 Morningside Cyber Ventures Holdings Limited 全資擁有，而 Morningside Cyber Ventures Holdings Limited 則由 Verrall Limited 以陳譚慶芬女士建立之家族信託受託人身份全資擁有之附屬公司，而自股份在創業板上市後，陳譚慶芬女士作為上述信託之創辦人（定義見證券及期貨條例）乃被當作擁有本文所披露之股份之權益）授出購股權，以令 Sotas Limited 有權於二零零三年八月四日自股份上市日期起計 36 個月內，以總行使價 600,000 美元從本公司購買 8,331,615 股公司股份。

於二零零五年十二月三十一日，授出予 Sotas Limited 之購股權經已註銷。

REPORT OF THE DIRECTORS

董事會報告

**Share Option Scheme**

The Company by shareholders' resolution passed at its Special General Meeting held on 18 July 2003, has adopted a share option scheme ("Scheme"). The principal purpose of the Scheme is to enable the Company to grant options to eligible participants as incentives or rewards for their contributions to the Group. Details of the Scheme are set out in note 34 to the financial statements.

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

購股權計劃

本公司已在於二零零三年七月十八日舉行之股東特別大會上通過股東決議案，採納一項購股權計劃（「該計劃」）。該計劃之主要目的為讓本公司可向合資格參與者授出購股權，作為彼等對本集團作出貢獻之獎勵及回報。有關該計劃之詳情載於財務報表附註34。

於本年度內，本公司購股權之變動披露如下：

Name of director	Date of grant	Exercise price	Number of share options				Balance as at 31 December 2005
			Balance as at 1 January 2005	Granted during the year	Exercised during the year	Cancelled/Lapsed during the year	
董事姓名	授出日期	行使價	於二零零五年一月一日結餘	年內授出	年內行使	年內註銷或作廢	於二零零五年十二月三十一日結餘
Dr David Deng Wei 鄧偉博士	21.6.2004	0.44	8,000,000	—	—	8,000,000	—
Mr. Gordon Kwong Che Keung 鄺志強先生	21.6.2004	0.44	2,100,000	—	—	2,100,000	—
Professor Japhet Sebastian Law 羅文鈺教授 (resigned on 1 February 2006) (於二零零六年二月一日辭任)	21.6.2004	0.44	2,100,000	—	—	2,100,000	—
Mr. Stephen Scharf (resigned on 16 February 2005) (於二零零五年二月十六日辭任)	21.6.2004	0.44	2,100,000	—	—	2,100,000	—
Total 總數			14,300,000	—	—	14,300,000	—

Note: The 14,300,000 share options could be exercised at any time during the period from 21 June 2004 to 17 July 2013. As at 31 December 2005, all of them had been cancelled.

附註：由二零零四年六月二十一日至二零一三年七月十七日期間內，有14,300,000份購股權可以行使。於二零零五年十二月三十一日，該等已經全數註銷。

REPORT OF THE DIRECTORS

董事會報告



Interests Discloseable under the SFO and Substantial Shareholders

As at 31 December 2005, so far as is known to the Directors, the following, not being a Director or chief executive of the Company, have an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provision of Division 2 and 3 of Part XV of the SFO:

Long positions in shares and in equity derivatives in, or in respect of, underlying shares of the Company:

根據證券及期貨條例須予披露之權益及主要股東

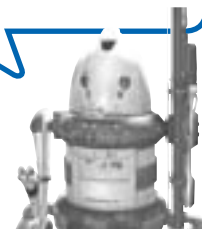
於二零零五年十二月三十一日，據董事所知悉，下列主要股東（非本公司之董事或主要行政人員）擁有根據證券及期貨條例第十五部第2及3分部之條文而須向本公司披露之股份或相關股份之權益或淡倉：

股份及股本衍生工具或相關股份所涉及之好倉：

Name 名稱	Number of shares 股份數目	Capacity 身份	Approximate percentage of number of shares to total issued shares 權益概約百分比
Shougang Holding (Hong Kong) Limited 首鋼控股(香港)有限公司	658,466,023	Interest in controlled corporation (note 1) 受控制公司權益(附註1)	82.22%
Shougang Concord Grand (Group) Limited 首長四方(集團)有限公司	658,466,023	Interest in controlled corporation (note 1) 受控制公司權益(附註1)	82.22%
Upper Nice Assets Ltd.	658,466,023	Beneficial interest (note 1) 實益權益(附註1)	82.22%
Mr. Li Baoku 李寶庫先生	58,000,000	Beneficial interest (note 2) 實益權益(附註2)	7.24%
Sotas Limited	55,544,102	Beneficial interest (note 3) 實益權益(附註3)	6.94%
Morningside CyberVentures Holdings Limited	55,544,102	Interest in a controlled corporation (note 3) 受控制公司權益(附註3)	6.94%
Biswick Holdings Limited	55,544,102	Interest in a controlled corporation 受控制公司權益	6.94%
Verrall Limited	55,544,102	Interest in a controlled corporation (note 3) 受控制公司權益(附註3)	6.94%
Verrall Enterprises Holdings Limited	55,544,102	trustee 授託人	6.94%
Mrs. Chan Tan Ching Fen 陳譚慶芬女士	55,544,102	Founder of a trust (note 3) 信託之創辦人(附註3)	6.94%

REPORT OF THE DIRECTORS

董事會報告



Notes:

1. Upper Nice Assets Ltd. is an indirectly wholly-owned subsidiary of Shougang Concord Grand (Group) Limited ("SCG") which is incorporated in Bermuda as an exempted company with limited liability with its securities listed on the Main Board of the Stock Exchange and is regarded to be held as to approximately 41% by Shougang Holding (Hong Kong) Limited as recorded under the register SCG kept under Section 336 of the SFO. The interests held by Upper Nice Assets Ltd. are included in the interests held by both of SCG and Shougang Holding (Hong Kong) Limited.

Upper Nice Assets Ltd. (as the grantor) and SCG (as the guarantor) granted the Put Options (as defined in the joint announcement of the Company and Shougang dated 25 August 2005) and whereby Upper Nice Assets Ltd. is obliged to purchase 58,000,000 shares of the Company, representing approximately 7.24% issued share capital of the Company at the exercise price of HK\$0.22 per share. On 5 November 2005, the 58,000,000 Options Shares have been transferred to Mr. Li Baoku at a price of HK\$0.20 per Option Share and the Put Option relating to such Option Shares have also been assigned to Mr. Li Baoku.

2. Mr. Li Baoku beneficially owns 58,000,000 shares of the Company. In the event that exercises the Put Option, he will be entitled to sell up to all of the Option Shares beneficially owned by Mr. Li Baoku at the Exercise Price HK\$0.22 and Upper Nice Assets Ltd. is obliged to purchase the 58,000,000 Option Shares of the Company in respect of which the Put Option is exercised at such Exercise Price.
3. The 55,544,102 shares were held by Sotas Limited a company incorporated in the BVI with limited liability and wholly-owned by Morningside CyberVentures Holdings Limited. Meanwhile Morningside CyberVentures Holdings Limited is wholly-owned by Biswick Holdings Limited, which is in turn a wholly-owned subsidiary of Verrall Limited in its capacity as trustee of a family trust established by Mrs. Chan Tan Ching Fen, who was taken to be interested in the shares disclosed herein in her capacity as founder of the trust (as defined in the SFO) referred to above upon the Listing.

附註：

1. Upper Nice Assets Ltd. 乃一家由首長四方 (集團) 有限公司 (『首長四方』) 間接全資擁有的附屬公司，首長四方乃於百慕達註冊成立的一家獲豁免有限責任公司，其證券於聯交所主板上市。按首長四方已載入根據證券及期貨條例第336條所存置之主要股東股份權益及淡倉登記冊之紀錄，被視為由首鋼控股 (香港) 有限公司持有約41%。由Upper Nice Assets Limited持有之權益乃包括在首長四方及首鋼控股 (香港) 有限公司兩者持有之權益之中。

Upper Nice Assets Ltd. (作為批授人) 及首長四方 (作為擔保人) 授出認沽期權 (定義見本公司與首長四方日期為二零零五年八月二十五日之聯合公佈)，據此，Upper Nice Assets Ltd. 有責任按行使價每股0.22港元，購入本公司58,000,000股股份，約相當於本公司已發行股本7.24%。於二零零五年十一月五日，該58,000,000股期權股份已經轉讓予李寶庫先生，作價每股期權股份0.20港元。而與該等期權股份有關的認沽期權亦同時轉讓給李寶庫先生。

2. 李寶庫先生實益擁有本公司58,000,000股股份。倘行使認沽期權，李寶庫先生有權按行使價每股0.22港元沽清其所有實益擁有之期權股份，而Upper Nice Assets Ltd. 有責任於認沽期權於該行使價行使時，購入本公司58,000,000股期權股份。
3. 55,544,102股公司股份由Sotas Limited (於英屬處女群島註冊成立之有限公司) 其由Morningside CyberVentures Holdings Limited全資擁有，然而，Morningside CyberVentures Holdings Limited又為Biswick Holdings Limited全資擁有、而Biswick Holdings Limited則由Verrall Limited以陳譚慶芬女士建立之家族信託受託人身份全資擁有之附屬公司，而自股份在創業板上市後，陳譚慶芬女士作為上述信託之創辦人 (定義見證券及期貨條例) 乃被當作擁有本文所披露之股份之權益) 持有。

REPORT OF THE DIRECTORS

董事會報告



Short positions in shares and equity derivatives in, or in respect of, underlying shares of the Company:

股份及股本衍生工具或相關股份所涉及之淡倉：

Name 名稱	Number and description of equity derivatives 股本衍生工具之數目及概述	Number of underlying shares 相關股份數目	Capacity 身份	Approximate percentage of interest 權益概約百分比
Mr. Li Baoku 李寶庫先生	58,000,000 (Note a) (附註a)	58,000,000	Beneficial owner 實益擁有人	7.24%

Note (a): The 58,000,000 Options Shares have been transferred to Mr. Li Baoku at a price of HK\$0.20 per Option Share and the Put Option relating to such Option Shares have also been assigned to Mr. Li Baoku. Pursuant to the Option Agreement, in the event that exercises the Put Option, Mr. Li Baoku shall be entitled to sell up to all of the Option Shares beneficially owned by Mr. Li Baoku at the Exercise Price HK\$0.22 and Upper Nice Assets Ltd. is obliged to purchase the 58,000,000 Option Shares of the Company in respect of which the Put Option is exercised at such Exercise Price.

附註(a)：58,000,000股期權股份經已按每股期權股份0.20港元之價格轉讓予李寶庫先生亦已把該等期權股份之相關認沽期權授予李寶庫先生。根據期權協議，倘行使認沽期權，李寶庫先生有權按行使價每股0.22港元沽清其所有實益擁有之期權股份，而Upper Nice Assets Ltd.有責任就認沽期權於該行使價購入58,000,000股本公司股份。

Save as disclosed above, as 31 December 2005, the Directors were not aware of any other persons (other than the Directors or chief executive of the Company) who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO.

除上文所披露者外，於二零零五年十二月三十一日，按根據證券及期貨條例第336條所存置之主要股東股份權益及淡倉登記冊之紀錄，董事並不知悉任有何人士（並非公司董事或最高行政人員）持有根據證券及期貨條例第十五部第2及第3部份之條文而須作出披露的本公司股份及相關股份之權益或淡倉。

Directors' Interests in Contracts of Significance

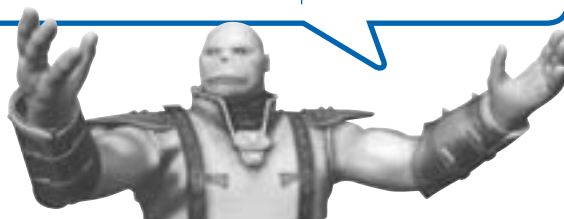
Apart from the foregoing and the related party transactions referred to in note 40 to the financial statements, no contracts of significance to which the Company, or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

董事於重大合約之權益

除上文所述及財務報表附註40所載之關連人士交易外，於本年度之年終或本年度之任何時間內，本公司或其任何附屬公司概無訂立本公司之董事直接或間接擁有重大權益之任何重大合約。

REPORT OF THE DIRECTORS

董事會報告

**Directors' Rights to Acquire Shares or Debentures**

Except for the share option scheme disclosed above, at no time during the year was the Company, or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Connected Transactions**Exempt connected transactions**

The following exempt connected transactions of financial assistance in nature subsisted during the year.

Loans from Mr. Anthony Francis Neoh

Mr. Anthony Francis Neoh has advanced various loans to the Group totally approximately HK\$18,256,000 as at 31 December 2005. Interest is accrued from day to day on the outstanding the best lending rate as quoted by the Hongkong and Shanghai Banking Corporation Limited from time to time plus 3% per annum. This facility is unsecured aid with no fixed repayment terms. Madam Chan Wing Yee, Betty, the spouse of Mr. Anthony Francis Neoh, has advanced loan to the Group totally HK\$1,000,000 as at 31 December 2005 as disclosed in note 29. The loan is unsecured, bears interest at the best lending rate as quoted by the Hongkong and Shanghai Banking Corporation Limited from time to time plus 3% per annum and is repayable on demand. As Mr. Anthony Francis Neoh is an initial management shareholder, as defined under the GEM Listing Rules, a transaction between Mr. Anthony Francis Neoh and the Group constitutes a connected transaction of the Company. However, the transaction is based on normal commercial terms (or better) and should therefore be exempt from reporting, announcement and independent shareholders' approval requirements under Rule 20.65(4) of the GEM Listing Rule.

董事購入股份或債券之權利

除上文所披露之購股權計劃外，於本年度之任何時間內，本公司或其任何附屬公司概無訂立任何安排，致使本公司之董事可藉著以購入本公司或任何其他法團實體之股份或債券方式而獲益。

關連交易**獲豁免關連交易**

下列為於本年度內出現屬財政補助性質之獲豁免關連交易：

梁定邦先生提供之貸款

於二零零五年十二月三十一日，梁定邦先生向本集團提供之多項貸款合共約18,256,000港元。此信貸乃按尚未償還本金額逐日累算利息，息率為香港上海滙豐銀行有限公司不時報價之最優惠利率加年率3厘。此信貸乃無抵押且無固定還款期。於二零零五年十二月三十一日，梁定邦先生之配偶Chan Wing Yee, Betty女士向本集團提供合共1,000,000港元貸款（已披露於附註29）。該項貸款為無抵押、按香港上海滙豐銀行有限公司不時報價之最優惠利率加年率3厘計息及按通知償還。由於梁定邦先生為上市時管理層股東（定義見創業板上市規則），因此，梁定邦先生與本集團所進行之交易構成本公司之一項關連交易。然而，該等交易乃按一般（或更佳）商業條款進行，故此，根據創業板上市規則第20.65(4)條應獲豁免遵守申報、公佈及取得獨立股東批准之規定。

REPORT OF THE DIRECTORS

董事會報告



Counter-guarantee given by Mr. Raymond Dennis Neoh in respect of bank loans made to the Group

As stated on page 148 of this annual report, Mr. Raymond Dennis Neoh has given counter-guarantee in favour of 中投信用擔保有限公司 ("CICG"), an independent third party, for the repayment of all the debts incurred by CICG for which CICG is liable under the guarantee given by it in respect of banking facilities of RMB30,000,000 from Bank of China, Shenzhen Branch. No security or consideration has been given by any member of the Group to Mr. Raymond Dennis Neoh for the giving of the counter-guarantees to CICG.

As Mr. Raymond Dennis Neoh is a connected person of the Company and the above-mentioned counter-guarantee given by Mr. Raymond Dennis Neoh constitute a connected transaction of the Company.

The counter-guarantee given by Mr. Raymond Dennis Neoh has been provided by him for the benefit of the Company on normal commercial terms (or better). The guarantee given should therefore be exempt from reporting, announcement and independent shareholders' approval requirements under Rule 20.65(4) of the GEM Listing Rule.

Other loan from SCG Finance Corporation Limited ("SCG Finance"), a wholly-owned subsidiary of SCG

SCG became the holding company of the Group after the change of shareholding in February 2005 and SCG Finance provided HK\$50,000,000 loan facilities as at 31 December 2005.

Finance lease arrangement with South China International Leasing Company Limited, a subsidiary of SCG

During the year, the Group has entered into finance lease arrangements for leasing computer equipment from South China International Leasing Company Limited. As at 31 December 2005, the finance leases and interest payable to the fellow subsidiary amounted to approximately HK\$1,898,000 and HK\$171,000 respectively. Interest expense paid during the year in connection to the finance leases amounted to approximately HK\$51,000.

梁定雄先生就本集團所獲授銀行貸款而作出之反擔保

誠如本年報第148頁所述，梁定雄先生已作出以中投信用擔保有限公司（「中信擔保」）為受益人之反擔保，以清償中信擔保就中國銀行深圳分行所提供之人民幣30,000,000元銀行備用額作出之擔保而產生之全部債務。本集團之任何股東概無向梁定雄先生就彼向中信擔保提供反擔保而提供任何抵押或支付代價。

由於梁定雄先生乃本公司之關連人士，故上文所述由梁定雄先生提供之反擔保構成本公司之關連交易。

梁定雄先生所提供之反擔保，乃彼就本公司之利益而按一般（或更佳）商業條款而作出。因此，根據創業板上市規則第20.65(4)條，所作出之擔保應獲豁免遵守申報、公佈及取得獨立股東批准之規定。

其他貸款來自首長四方之全資附屬公司首長四方財務有限公司（「首長四方財務」）

首長四方於二零零五年二月之股權變動後成為本集團的控股公司，首長四方財務於二零零五年十二月三十一日提供了50,000,000港元的貸款額度。

與首長四方之附屬公司南方國際租賃有限公司之融資租賃安排

年內，本集團向南方國際租賃有限公司訂立融資租賃安排，租用電腦設備。於二零零五年十二月三十一日，融資租賃及應付租息分別為1,898,000港元及171,000港元。與融資租賃有關的年內已付利息開支約為51,000港元。

REPORT OF THE DIRECTORS

董事會報告



The independent non-executive Directors of the Company have reviewed the connected transactions and confirmed that the above transactions have been entered into:

- (1) in the ordinary and usual course of business of the Group;
- (2) on normal commercial terms; and
- (3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Related Party Disclosures

As disclosed in note 40 to the financial statements, the following transactions were entered into during the year:

- (a) The Group paid or was payable rental expense of approximately HK\$410,000 to Long Cosmos Investment Limited, a fellow subsidiary of the Group for its office premise; and
- (b) The Group paid or was payable rental expense of approximately HK\$224,000 to Ms. Lau Fung Sim, the spouse of Mr. Raymond Dennis Neoh, in respect of a director quarter.

This transaction falls within the definition of a connected transaction but as the value of transaction falls below the de-minimis threshold of the higher of (i) each of the percentage ratios (other than the profits ratio) is less than 0.1%; or (ii) each of the percentage ratio (other than the profits ratio) is equal to or more than 0.1% but less than 2.5% and the total consideration is less than HK\$1,000,000, the transaction was exempt from all reporting, announcement and shareholders' approval requirements in accordance with GEM Listing Rule 20.31(2).

Purchase, Sale or Redemption of the Company's Listed Securities

There was no purchase, sales or redemption by the Company or any of its subsidiaries, of the Company's listed securities during the year ended 31 December 2005.

本公司各獨立非執行董事已經審閱了該關連交易並已確認該等交易之訂立乃：

- (1) 屬於本集團之一般及日常業務；
- (2) 按照一般商務條款進行；及
- (3) 根據有關交易的協議條款進行，而交易條款公平合理，並且符合本公司股東的整體利益。

關連人士披露

誠如財務報表附註40所披露，下列交易乃於本年度內進行：

- (a) 本集團已付或應付本集團之同系附屬公司長亨投資有限公司作為其辦公室物業租金開支之約410,000港元；及
- (b) 本集團已付或應付梁定雄先生之配偶劉鳳嬋女士有關董事宿舍之租金開支約224,000港元。

由於交易價值低於(i)各百分比率(溢利率除外)低於0.1%；或(ii)各百分比率(溢利率除外)相等或高於0.1%但低於2.5%且總代價少於1,000,000港元(以較高者為準)之最低限額，故該項交易構成一項關連交易，而根據創業板上市規則第20.31(2)條，該項交易獲豁免遵守所有申報、公佈及取得股東批准之規定。

購買、出售或贖回本公司之上市證券

本公司或其任何附屬公司概無於截至二零零五年十二月三十一日止年度內，購買、出售或贖回任何本公司之上市證券。

REPORT OF THE DIRECTORS

董事會報告



Competing Interests

As at 31 December 2005, 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 Company) which are considered to complete or are likely to compete, either directly or indirectly, with the businesses of the Company were as follows:

Name of Director 董事姓名	Name of entity whose businesses are considered to compete or likely to compete with the businesses of the Company 被視為其業務與本公司業務有競爭或可能有競爭實體	Description of businesses of the entity which are considered to compete or likely to compete with the businesses of the Company 被視為其業務與本公司業務有競爭或可能有競爭實體之業務性質
Cao Zhong 曹忠	Shougang Concord Grand (Group) Limited ("SCG") (Note 1) 首長四方(集團)有限公司 首長四方(附註1)	Property investment and management financial services and cultural recreation content provision (Note 2) 物業投資及管理、財務服務及 文化娛樂內容供應(附註2)
Chen Zheng 陳征	SCG (Note 1) 首長四方(附註1)	Property investment and management financial services and cultural recreation content provision (Note 2) 物業投資及管理、財務服務及 文化娛樂內容供應(附註2)
Leung Shun Sang, Tony 梁順生	SCG (Note 1) 首長四方(附註1)	Property investment and management financial services and cultural recreation content provision (Note 2) 物業投資及管理、財務服務及 文化娛樂內容供應(附註2)
Stephen Hui Hung 許洪	SCG (Note 3) 首長四方(附註3)	Property investment and management financial services and cultural recreation content provision (Note 2) 物業投資及管理、財務服務及 文化娛樂內容供應(附註2)

Note 1: SCG through Upper Nice Assets Ltd. indirectly holds approximately 82.22% (including underlying shares) interests in the Company.

Note 2: Those businesses are carried out through its subsidiaries or associates or by way of other form of investments.

Note 3: Stephen Hui Hung resigned as director of SCG on 27 February 2006.

Save as disclosed above, none of the Directors, the chief executive, substantial shareholders or initial management shareholders of the Company or any of its subsidiaries or any of their respective associates, has an interest in any business, which competes or may compete with the business of the Group.

競爭權益

於二零零五年十二月三十一日，董事在業務利益上被視為跟本公司業務有直接或間接之競爭或可能競爭，不包括董事代表本公司及/或本公司股東之利益而在該等業務上出任之董事，其內容如下：

附註1：首長四方透過Upper Nice Assets Ltd.間接持有約82.22%本公司權益，其中包括相關股份。

附註2：該等業務乃透過其附屬公司或聯營公司或其他投資方式進行。

附註3：許洪於二零零六年二月二十七日辭任首長四方之董事。

除上文所披露者外，本公司或其任何附屬公司之董事、主要行政人員、主要股東或上市時管理層股東或彼等各自之任何聯繫人士概無於與本集團業務構成競爭或可能構成競爭之任何業務中擁有任何權益。

REPORT OF THE DIRECTORS

董事會報告

**Interest on Sponsor**

As updated and notified by the Company's sponsor (the "Sponsor"), Goldbond Capital (Asia) Limited, as at 31 December 2005, none of the Sponsor itself, its directors, employees or associates (as defined in Note 3 to GEM Listing Rule 6.35) had any interests in the securities of the Company.

Pursuant to the agreement dated 23 July 2003 entered into between the Company and the Sponsor, the Sponsor is entitled to receive an advisory fee for acting as the Company's related sponsor for the period from 4 August 2003 to 31 December 2005.

Emolument Policy

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market securities.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 34 to the financial statements.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-Laws, or articles of association or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

保薦人權益

誠如本公司保薦人金榜融資(亞洲)有限公司(「保薦人」)作出更進及通知，於二零零五年十二月三十一日，保薦人本身、其董事、僱員或聯繫人士(定義見創業板上市規則第6.35條附註3)概無於本公司證券中擁有任何權益。

根據本公司與保薦人於二零零三年七月二十三日訂立之協議，保薦人有權就於二零零三年八月四日起至二零零五年十二月三十一日止期間擔任本公司之延聘保薦人而收取顧問費。

酬金政策

本集團之僱員酬金政策乃由薪酬委員會按照彼等的貢獻、資歷及競爭力所制定的。

本公司之董事酬金乃由薪酬委員會考量過本公司之營運業績、個人表現及可比較的市場證券後所決定的。

本公司已經採納了一個購股權計劃作為對董事及合資格僱員的獎勵，該計劃詳情已詳列於財務報告附註34內。

優先購買權

本公司之細則或組織章程細則或百慕達法例概無載有任何有關優先購買權之條文，而令本公司須按比例基準向現有股東發售新股。

REPORT OF THE DIRECTORS

董事會報告

**Board Practices and Procedures**

The Company has complied with the Code on Corporate Governance Practices (the "Code") (with the exception of code provision C.2 on internal control which is effective for accounting periods commencing on or after 1 July 2005) as set out in Appendix 15 of the GEM Listing Rules during the year ended 31 December 2005 and the Company has applied the Code as the general guiding principle in corporate governance, except for the following deviations:

- Under code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term and subject to re-election.

Not all non-executive Directors were appointed for a specific term. However, both of them are subject to retirement by rotation and re-election at annual general meetings in accordance with the provisions of the bye-laws of the Company. Service contracts will be signed with those non-executive Directors.

- Under the second part of code provision A.4.2 of the Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to the Bye-laws of the Company, at each annual general meeting, one third of the Directors for the time being, or their number is not three or a multiple of three, then the number nearest one-third, shall retire from office by rotation, provided that no Director holding office as chairman or managing director shall be subject to retirement by rotation or be taken into account in determining the number of Directors to retire. To comply with the code provision, amendment to the Bye-laws of the Company will be proposed at the next general meeting of the Company for approval by the shareholders such that all directors (including chairman and managing director) will be subject to retirement by rotation at least once every three years.

董事會慣例及程序

除將於二零零五年七月一日或之後開始之會計期間生效有關內部控制之第C.2條守則條文外，本公司於截至二零零五年十二月三十一日止年度內已遵守創業板上市規則附錄十五所載之企業管治常規守則（「守則」），惟有以下偏離：

- 根據守則第A.4.1條之守則條文，非執行董事之委任應有指定任期，並須接受重新選舉。

並非所有非執行董事按指定任期委任。然而，根據本公司之公司細則，非執行董事須依章於股東週年大會上輪值告退及膺選連任。本公司將與該等非執行董事簽訂服務合約。

- 根據守則第A.4.2條之第二部份守則條文，每名董事（包括有指定任期之董事）須輪流退任，至少每三年一次。

根據本公司之公司細則，三分之一在職董事（或董事數目並非三或三之倍數，則取其接近三分之一者）須於每屆股東週年大會上輪流退任，惟擔任主席或董事總經理職務之董事將不須輪流退任，於計算退任董事人數時，亦不被計入考慮人數之內。為遵守守則條文，董事會將於下一次本公司股東大會上提呈建議，就修訂本公司細則尋求股東批准，促使本公司所有董事（包括主席及董事總經理）均須至少每三年輪流退任一次。

REPORT OF THE DIRECTORS

董事會報告



- Under code provision B.1.1 of the Code, listed issuers should establish a remuneration committee with specific written terms of reference. A majority of the members of the remuneration committee should be independent non-executive directors.

The remuneration committee consists of three members, only one the of whom is independent non-executive Director during the year ended 31 December 2005. Two Independent Non-executive Directors were appointed as members of remuneration committee so as to comply with the Code.

Code of Conduct Regarding Securities Transactions by Directors

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry, all directors of the Company have complied with the required standard of dealings and the code of conduct regarding directors' securities transactions adopted by the Company during the year ended 31 December 2005.

Audit Committee

The Company has an audit committee which was established for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls.

The audit committee, comprising two independent non-executive Directors and one non-executive directors except for 30 and 31 December 2005 when the committee had less than 3 members, met four times during the financial year. During the meetings, the audit committee reviewed the accounting principles and practices adopted by the Group, the interim and annual reports of the Group, connected transactions and discussed with management the auditing, internal control and financial reporting matters.

- 根據守則第B.1.1條之守則條文，上市發行人須設立具有特定成文職權範圍之酬金委員會。酬金委員會之大部份成員須為獨立非執行董事。

於截至二零零五年十二月三十一日止年度，酬金委員會由三名成員組成，其中僅有一名為獨立非執行董事。為遵守守則，兩名獨立非執行董事被委任為酬金委員會成員。

董事進行證券交易的標準守則

本公司已採納按照創業板上市規則第5.48至5.67條所列之董事進行證券交易的標準守則。在作出明確諮詢後，本公司全體董事於截至二零零五年十二月三十一日止年度內皆已符合本公司採納之標準買賣要求及董事進行證券交易的標準守則。

審核委員會

本公司成立了審核委員會，以便對本集團之財務申報程序及內部控制作出審閱並提供監督。

審核委員會(除了於二零零五年十二月三十日及三十一日期間少於三位人事組成外，由兩位獨立非執行董事及一位非執行董事組成)於本財政年度內舉行了四次會議。於該等會議期間內，審核委員會已審閱本集團所採納之會計原則及慣例、本集團之中期報告及年報、關連交易，並與管理層共同商討有關審核、內部控制及財務申報事宜。

REPORT OF THE DIRECTORS

董事會報告

**Sufficiency of Public Float**

The Company has maintained a sufficient public float throughout the year ended 31 December 2005, except for the period from 1 March 2005 to 6 September 2005 only approximately 17.8% interests of the Company was held by the public. However, it was restored to 25.02% interests of public float after the placement of 58,000,000 shares from Upper Nice Assets Ltd.

Auditors

Except for the year ended 31 December 2003, in which Messrs. PricewaterhouseCoopers acted as auditors of the Company, Messrs. Deloitte Touche Tohmatsu have acted as auditors of the Company for the past two years. A resolution will be submitted to the forthcoming Annual General Meeting of the Company to appoint auditors of the Company.

On behalf of the Board

CAO ZHONG

Chairman

Hong Kong

20 April 2006

足夠公眾持股量

本公司，除了二零零五年三月一日至二零零五年九月六日期間，公眾人士持有本公司權益只有約17.8%外，於截至二零零五年十二月三十一日止整個年度內均維持足夠公眾持股量。惟於Upper Nice Assets Ltd.配售58,000,000股股份後，公眾持股權益已經回復到25.02%。

核數師

除截至二零零三年十二月三十一日止年度，羅兵咸永道會計師事務所為本公司核數師外，德勤•關黃陳方會計師行於過去兩年為本公司核數師。本公司擬於應屆股東週年大會上提呈一項決議案，以聘請本公司之核數師。

代表董事會

主席

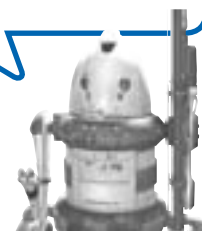
曹忠

香港

二零零六年四月二十日

AUDITORS' REPORT

核數師報告



Deloitte.

德勤

TO THE SHAREHOLDERS OF GLOBAL DIGITAL CREATIONS HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of the Group on pages 81 to 169 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's Directors are responsible for the preparation of consolidated financial statements which give a true and fair view. In preparing consolidated financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those consolidated financial statements and to report our opinion solely to you, as a body, in accordance with Section 90 of The Companies Act of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the consolidated financial statements, and of whether the accounting policies are appropriate to the circumstances of the Group, consistently applied and adequately disclosed.

致GLOBAL DIGITAL CREATIONS HOLDINGS LIMITED 全體股東

(於百慕達註冊成立之有限公司)

本行已完成審核刊載於第81至169頁按照香港普遍採納之會計原則編製之 貴集團之綜合財務報表。

董事及核數師各自之責任

貴公司董事負責編製真實兼公平之綜合財務報表。在編製該等提供真實兼公平意見之綜合財務報表時，董事必須採用適當之會計政策，並貫徹應用該等會計政策。

本行之責任是根據審核之結果，對該等綜合財務報表出具獨立意見，並按照百慕達公司法第90條僅向整體股東報告，而本報告不得用於其他用途。本行不會就本報告之內容向任何其他人士負上或承擔任何責任。

意見之基礎

本行乃遵照香港會計師公會頒佈之香港核數準則進行審核工作。審核範圍包括以抽查方式查核與財務報表所載數額及披露事項有關之憑證，亦包括評審董事於編製綜合財務報表時所作出之重大估計和判斷，所採用之會計政策是否適合 貴集團之具體情況，及有否貫徹應用並足夠披露該等會計政策。

AUDITORS' REPORT

核數師報告



We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the consolidated financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2005 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong
20 April 2006

本行在策劃和進行審核工作時，均以取得所有本行認為必須之資料及解釋為目標，以便獲得充份憑證，就該等財務報表是否存有重大錯誤陳述，作出合理之確定。在作出意見時，本行亦已評估該等綜合財務報表內所載之資料在整體上是否足夠。本行相信，本行之審核工作已為下列意見建立了合理之基礎。

意見

本行認為上述綜合財務報表均真實兼公平地反映 貴集團於二零零五年十二月三十一日結算時之財務狀況，及 貴集團截至該日止年度之虧損及現金流量，並按照香港公司條例之披露規定妥善編製。

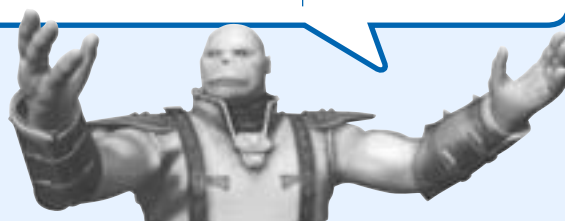
德勤 • 關黃陳方會計師行

執業會計師

香港
二零零六年四月二十日

CONSOLIDATED INCOME STATEMENT

綜合損益表



FOR THE YEAR ENDED 31 DECEMBER 2005

截至二零零五年十二月三十一日止年度

			2005 二零零五年	2004 二零零四年 (restated) (經重列)
			HK\$'000 千港元	HK\$'000 千港元
		Notes 附註		
Revenue	收益	7	32,195	47,987
Cost of sales	銷售成本		(34,848)	(35,278)
Allowance for production work in progress	在製項目撥備	19	(24,712)	(84,615)
Gross loss	毛損		(27,365)	(71,906)
Other income	其他收入		645	101
Distribution costs	分銷成本		(2,031)	(4,246)
Administrative expenses	行政開支		(37,429)	(34,738)
Impairment losses recognised in respect of property, plant and equipment	已確認物業、廠房及設備之減值虧損	14	(2,350)	(14,868)
Finance costs	融資成本	11	(7,675)	(5,545)
Loss before taxation	除稅前虧損	9	(76,205)	(131,202)
Income tax expense	所得稅開支	12	(151)	(25)
Loss for the year	本年度虧損		(76,356)	(131,227)
			HK cents 港仙	HK cents 港仙
Loss per share	每股虧損	13		
Basic	基本		(9.53)	(16.54)
Diluted	攤薄		N/A 不適用	N/A 不適用

CONSOLIDATED BALANCE SHEET

綜合資產負債表



AT 31 DECEMBER 2005

於二零零五年十二月三十一日

			2005 二零零五年	2004 二零零四年 (restated) (經重列)
		Notes 附註	HK\$'000 千港元	HK\$'000 千港元
Non-current assets	非流動資產			
Property, plant and equipment	物業、廠房及設備	14	6,301	14,000
Available-for-sale investment	可供出售投資	16	—	—
Investment securities	投資證券	16	—	—
Deferred tax assets	遞延稅項資產	17	—	151
			6,301	14,151
Current assets	流動資產			
Inventories, at cost	存貨(按成本值)	18	1,157	5,523
Production work in progress	在製項目	19	951	21,301
Trade receivables	應收貿易賬款	20	3,664	18,011
Prepayments, deposits and other receivables	預付款項、按金及其他應收賬項	21(a)	2,124	4,435
Pledged bank deposits	已抵押銀行存款	22	16,455	2,004
Bank balances and cash	銀行結餘及現金	21(b)	3,667	3,635
			28,018	54,909
Current liabilities	流動負債			
Training fees received in advance	預收培訓費		2,725	2,168
Trade payables	應付貿易賬款	23	1,065	11,018
Other payables and accruals	其他應付款項及應計費用	24	23,615	20,798
Amounts due to fellow subsidiaries	應付同系附屬公司	25	18,783	—
Amounts due to directors	應付董事款項	25	2,116	3,037
Amounts due to shareholders	應付股東款項	26	339	2,147
Amounts due to related parties	應付關連人士款項	27	5,125	1,180
Tax liabilities	稅項負債		—	25
Loan from a fellow subsidiary	同系附屬公司貸款	28	43,983	—
Loan from a shareholder	股東貸款			
— due within one year	— 一年內到期	28	—	3,157
Loans from related parties	關連人士貸款	29	22,457	1,000
Obligations under finance leases	融資租約承擔			
— due within one year	— 一年內到期	30	3,468	6,796
Bank borrowings — due within one year	銀行借貸 — 一年內到期	31	27,210	31,907
Other loans	其他貸款	32	8,243	18,940
			159,129	102,173
Net current liabilities	流動負債淨額		(131,111)	(47,264)
Total assets less current liabilities	總資產減流動負債		(124,810)	(33,113)
Non-current liabilities	非流動負債			
Obligations under finance leases	融資租約承擔			
— due after one year	— 一年後到期	30	1,907	2,211
Loan from a shareholder	股東貸款			
— due after one year	— 一年後到期	28	—	18,237
Amount due to a related party	應付關連人士款項			
— due after one year	— 一年後到期	27	1,495	—
			3,402	20,448
			(128,212)	(53,561)

CONSOLIDATED BALANCE SHEET

綜合資產負債表



			2005 二零零五年	2004 二零零四年 (restated) (經重列)
			HK\$'000 千港元	HK\$'000 千港元
	Notes 附註			
Capital and reserves		股本及儲備		
Share capital		股本	8,008	8,008
Share premium and reserves	33	股份溢價及儲備	(136,220)	(61,569)
			(128,212)	(53,561)

The financial statements on pages 81 to 169 were approved and authorised for issue by the Board of Directors on 20 April 2006 and are signed on its behalf by:

載於第81至169頁之財務報表已於二零零六年四月二十日獲董事會批准及授權發表，並經由下列人士簽署：

Cao Zhong

DIRECTOR

曹忠

董事

Chen Zheng

DIRECTOR

陳征

董事

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

綜合權益變動表



FOR THE YEAR ENDED 31 DECEMBER 2005

截至二零零五年十二月三十一日止年度

		Share capital	Share premium account	Capital contribution reserve	Contributed surplus	Statutory reserve	Share options reserve	Exchange reserve	Accumulated losses	Total
		股本	股份溢價賬	資本貢獻儲備	繳入盈餘	法定儲備	購股權儲備	匯兌儲備	累計虧損	合計
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元
				(Note a)	(Note b)	(Note c)	(Note d)			
				(附註a)	(附註b)	(附註c)	(附註d)			
At 1 January 2004	於二零零四年一月一日	7,800	84,299	—	40,271	538	—	48	(64,514)	68,442
Exchange differences on translation of operations outside Hong Kong recognised directly in equity	因換算香港境外業務而產生之匯兌差額直接於權益中確認	—	—	—	—	—	—	(14)	—	(14)
Loss for the year as restated	本年度虧損(經重列)	—	—	—	—	—	—	—	(131,227)	(131,227)
Total recognised income (expenses) for the year	本年度已確認收入(開支)	—	—	—	—	—	—	(14)	(131,227)	(131,241)
Sub-total	小計	7,800	84,299	—	40,271	538	—	34	(195,741)	(62,799)
Issue of shares by placing	透過配售發行股份	208	8,536	—	—	—	—	—	—	8,744
Share issuance cost	發行股份成本	—	(397)	—	—	—	—	—	—	(397)
Recognition of equity-settled share-based payment	確認以股本結算之股份付款	—	—	—	—	—	891	—	—	891
Transfer to statutory reserve	轉撥往法定儲備	—	—	—	—	142	—	—	(142)	—
At 31 December 2004 and at 1 January 2005 as restated	於二零零四年十二月三十一日及於二零零五年一月一日(經重列)	8,008	92,438	—	40,271	680	891	34	(195,883)	(53,561)
Exchange differences on translation of operations outside Hong Kong recognised directly in equity	因換算香港境外業務而產生之匯兌差額直接於權益中確認	—	—	—	—	—	—	(78)	—	(78)
Loss for the year	本年度虧損	—	—	—	—	—	—	—	(76,356)	(76,356)
Total recognised income (expenses) for the year	本年度已確認收入(開支)	—	—	—	—	—	—	(78)	(76,356)	(76,434)
Sub-total	小計	8,008	92,438	—	40,271	680	891	(44)	(272,239)	(129,995)
Deemed contribution from a former shareholder	被視為前股東之貢獻	—	—	445	—	—	—	—	—	445
Recognition of equity-settled share-based payment	確認以股本結算之以股份為基礎之付款	—	—	—	—	—	1,338	—	—	1,338
Cancellation of share option	註銷購股權	—	—	—	—	—	(2,229)	—	2,229	—
At 31 December 2005	於二零零五年十二月三十一日	8,008	92,438	445	40,271	680	—	(44)	(270,010)	(128,212)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

綜合權益變動表



Notes:

- (a) Capital contribution reserve represents accumulated effect on imputed interest on amount due to a related party, a former shareholder.
- (b) The contributed surplus represents the difference between the nominal value of share capital of the Company issued and the aggregate amount of nominal value of share capital of subsidiaries acquired by the Company through an exchange of shares pursuant to a group reorganisation, which was completed on 31 December 2002.
- (c) As stipulated by the rules and regulations in the People's Republic of China (the "PRC"), 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 share capital thereafter any further appropriation is optional and is determinable by the companies' board of directors. The statutory reserve as at 31 December 2005 represents general reserve fund of IDMT Shenzhen of approximately HK\$680,000 (2004: HK\$680,000) which can only be used, upon approval by the relevant authority, to offset prior years' losses or to increase capital.
- (d) Following the change of major shareholding in February 2005, the holding company, Upper Nice Assets Ltd., a wholly-owned subsidiary of Shougang Concord Grand (Group) Limited, issued an offer document in respect of a voluntary conditional cash offer to cancel all the outstanding options of the Company. In accordance with HKFRS 2 *Share-based Payment*, as the outstanding options have been cancelled during the vesting period, it should be accounted for as an acceleration of vesting and recognise the amount immediately. Upon the cancellation of options, the share option reserve of approximately HK\$2,229,000 (2004: Nil) was transferred to accumulated losses.

附註：

- (a) 資本實繳儲備指應付前為本公司股東之關連人士款項之推算利息之累計影響。
- (b) 繳入盈餘指本公司已發行股本之面值與本公司根據集團重組(於二零零二年十二月三十一日完成)透過股份交換所收購附屬公司股本面值總額之差額。
- (c) 按中華人民共和國(「中國」)相關規則及法規之規定，外商投資企業須將其稅後溢利(經對銷往年虧損後)之適當部份撥作若干法定儲備。於中國成立之兩間外商獨資企業環球數碼媒體科技研究(深圳)有限公司(「環球數碼媒體科技研究(深圳)」)及環球數碼媒體科技(上海)有限公司均須提取其稅後溢利(經對銷往年虧損後)之10%作為一般儲備金，直至儲備金數額達至其股本之50%為止，其後，可自願作出進一步撥款並經由各公司之董事會釐定。環球數碼媒體科技研究(深圳)於二零零五年十二月三十一日之法定儲備即一般儲備金為約680,000港元(二零零四年：680,000港元)，而該筆法定儲備金僅可用作(經相關機關批准後)對銷往年虧損或增加股本。
- (d) 繼於二零零五年二月主要股權變動後，控股公司(Upper Nice Assets Ltd.)首長四方(集團)有限公司全資擁有之附屬公司就註銷本公司所有尚未行使購股權之自願性有條件現金收購建議，刊發了一份建議文件。根據香港財務報告準則第2號「以股份為基礎之付款」，由於該等尚未行使購股權已於歸屬期內註銷，故應列作加速歸屬，並隨即確認有關款額。註銷有關購股權後，有關購股權儲備之金額約2,229,000港元(二零零四年：無)轉撥至累計虧損。

CONSOLIDATED CASH FLOW STATEMENT

綜合現金流量表



FOR THE YEAR ENDED 31 DECEMBER 2005

截至二零零五年十二月三十一日止年度

		2005 二零零五年	2004 二零零四年 (restated) (經重列)
		HK\$'000 千港元	HK\$'000 千港元
OPERATING ACTIVITIES	經營活動		
Loss before taxation	稅前虧損	(76,205)	(131,202)
Adjustments for:	經調整下列各項：		
Allowance for production work in progress	在製項目撥備	24,712	84,615
Finance costs	融資成本	7,675	5,545
Depreciation	折舊	3,601	5,307
Allowance for inventories	存貨撥備	2,645	—
Impairment losses recognised in respect of property, plant and equipment	已確認物業、廠房及設備之減值虧損	2,350	14,868
Share-based payment expense	股份形式支出費用	1,338	891
Allowance for bad and doubtful debts	呆壞賬撥備	521	—
Loss on disposal of property, plant and equipment	出售物業、廠房及設備之虧損	9	84
Impairment losses recognised in respect of investment securities	已確認投資證券之減值虧損	—	117
Interest income	利息收入	(66)	(17)
Operating cash flows before movements in working capital	營運資金變動前之經營現金流量	(33,420)	(19,792)
Decrease (increase) in inventories	存貨減少／(增加)	1,890	(1,959)
Increase in production work in progress	在製項目增加	(103)	(23,221)
Decrease (increase) in trade receivables	應收貿易賬款減少／(增加)	13,826	(15,183)
Decrease in prepayments, deposits and other receivables	預付款項、按金及其他應收款項減少	1,843	604
Decrease in amount due from a related party	應收一關連人士款項減少	—	19
Increase (decrease) in training fees received in advance	預收培訓費增加／(減少)	557	(87)
(Decrease) increase in trade payables	應付貿易賬款(減少)／增加	(9,953)	8,452
Increase in other payables and accruals	其他應付款項及應計費用增加	1,863	9,580
Increase in amounts due to fellow subsidiaries	應付同系附屬公司增加	18,783	—
(Decrease) increase in amounts due to directors	應付董事款項(減少)／增加	(921)	2,621
CASH USED IN OPERATING ACTIVITIES	經營活動所用之現金	(5,635)	(38,966)
Income tax paid	已付所得稅	(25)	—
NET CASH USED IN OPERATING ACTIVITIES	經營活動所用淨現金	(5,660)	(38,966)

CONSOLIDATED CASH FLOW STATEMENT

綜合現金流量表



		2005 二零零五年	2004 二零零四年 (restated) (經重列)
		HK\$'000 千港元	HK\$'000 千港元
INVESTING ACTIVITIES	投資活動		
Increase in pledged bank deposits	已抵押銀行存款增加	(14,451)	(2,004)
Purchase of property, plant and equipment	購買物業、廠房及設備	(424)	(2,176)
Purchase of investment securities	購買投資證券	—	(117)
Proceeds from disposal of property, plant and equipment	出售物業、廠房及設備所得款項	4	400
Interest received	已收利息	66	17
NET CASH USED IN INVESTING ACTIVITIES	投資活動所用淨現金	(14,805)	(3,880)
FINANCING ACTIVITIES	融資活動		
Increase in loan from a fellow subsidiary	同系附屬公司貸款增加	33,140	—
Bank loans raised	所籌銀行貸款	12,487	1,565
Increase in amounts due to related parties	應付關連人士款項增加	5,885	1,180
Other loans raised	所籌其他貸款	—	11,143
Increase in loans from shareholders	股東貸款增加	—	9,858
Issue of shares	發行股份	—	8,744
Increase in loan from a related party	關連人士貸款增加	—	1,000
Repayment of bank loans	償還銀行貸款	(17,305)	—
Interest paid	已付利息	(6,253)	(5,334)
Repayment of obligations under finance leases	償還融資租賃承擔	(5,843)	(7,370)
(Decrease) increase in amounts due to shareholders	應付股東款項(減少)/增加	(1,808)	2,147
Share issuance costs	發行股份成本	—	(397)
NET CASH FROM FINANCING ACTIVITIES	融資活動產生之淨現金	20,303	22,536
NET DECREASE IN CASH AND CASH EQUIVALENTS	現金及現金等值物之減少淨額	(162)	(20,310)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	年初之現金及現金等值物	1,579	21,889
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	年終之現金及現金等值物	1,417	1,579
ANALYSIS OF CASH AND CASH EQUIVALENTS	現金及現金等值物之分析		
Bank balances and cash	銀行結餘及現金	3,667	3,635
Secured bank overdrafts	已抵押銀行透支	(2,250)	(2,056)
		1,417	1,579

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註



FOR THE YEAR ENDED 31 DECEMBER 2005

截至二零零五年十二月三十一日止年度

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 of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is Shougang Corporation, a company incorporated in the People's Republic of China (the "PRC"). Its immediate holding company is Upper Nice Assets Ltd., a company incorporated in the British Virgin Islands, an indirectly wholly-owned subsidiary of Shougang Concord Grand (Group) Limited ("SCG"), with its securities listed on the Stock Exchange. The addresses of the registered office and principal place of business of the Company are disclosed in the "Company 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 41.

The financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

2. Basis of Preparation of Financial Statements

The Group incurred significant losses of approximately HK\$76,356,000 for the year ended 31 December 2005 and the Group had net current liabilities of approximately HK\$131,111,000 and net liabilities of approximately HK\$128,212,000 as at 31 December 2005. Notwithstanding, the Directors are of opinion that the preparation of these financial statements under going concern basis is appropriate due to the following considerations:

(1) Bank borrowing's restructuring

Up to the date of approval of these financial statements, the Group signed an agreement with Bank of China, Shenzhen branch, to extend the maturity date of a bank loan of RMB13,000,000, or equivalent to approximately HK\$12,487,000, from January 2006 to January 2007.

1. 一般事項

本公司是在百慕達根據百慕達一九八一年公司法(經修訂)而註冊成立之受豁免公共上市有限公司。本公司股份在香港聯合交易所有限公司(「聯交所」)創業板上市。其最終控股公司為首鋼總公司，一家於中華人民共和國註冊成立之公司。其直接控股公司為首長四方(集團)有限公司(「首長四方」)之全資間接附屬公司Upper Nice Assets Ltd.，於英屬處女群島註冊成立，而首長四方的證券於聯交所上市。本公司註冊辦事處及主要營業地點之地址於年報「公司簡介」一節披露。

本公司為一間投資控股公司，其主要附屬公司之業務載於附註41。

本財務報表以港元列示，港元亦為本公司之功能貨幣。

2. 財務報表的編製基準

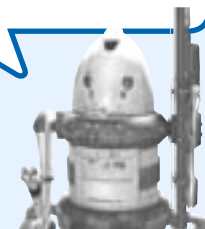
本集團截至二零零五年十二月三十一日止年度錄得重大虧損約76,356,000港元，而本集團於二零零五年十二月三十一日之流動負債淨額及負債淨額分別為約131,111,000港元及128,212,000港元。儘管如此，董事認為按持續經營基準編製該等財務報表仍屬適當，其理由如下：

(1) 重組銀行借貸之結構

直至該等財務報表獲批准之日為止，本集團與中國銀行深圳支行簽署了協議，以將銀行貸款人民幣13,000,000元(或約相等於12,487,000港元)之到期日由二零零六年一月延至二零零七年一月。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

**2. Basis of Preparation of Financial Statements**

(continued)

(2) Availability of facilities

The amount available to the Group for borrowings under the facilities granted by SCG Finance Corporation Limited ("SCG Finance"), a wholly-owned subsidiary of SCG, at 31 December 2005 was HK\$50,000,000, in which approximately HK\$43,983,000 is utilised as at 31 December 2005, and disclosed in note 28. Subsequent to the balance sheet date, the amount of the facilities is further increased to HK\$100,000,000 and is available up to 31 December 2006.

(3) Loan from SCG Finance

The Directors are of the opinion that SCG Finance would further extend the repayment date of the loan such that the repayment would not have a material adverse effect on the operations of the Group.

(4) Financial support

SCG and a controlling shareholder of SCG, Shougang Holding (Hong Kong) Limited, have committed to provide financial support to enable the Group to meet in full its financial obligations as and when they arise and to continue the Group's operations for a period of twelve months from the date of this report.

2. 財務報表的編製基準 (續)**(2) 可動用之信貸額**

於二零零五年十二月三十一日，本集團獲首長四方之全資附屬公司首長四方財務有限公司（「首長四方財務」）授出之可動用借貸額為50,000,000港元，當中約43,983,000港元已於二零零五年十二月三十一日動用，並於附註28披露。於結算日後，可動用之信貸額進一步增至100,000,000港元，有效期延至二零零六年十二月三十一日。

(3) 首長四方財務所提供之貸款

董事認為首長四方財務將進一步延長貸款的還款期，於是，該等貸款將不會對本集團之營運造成重大不利影響。

(4) 財政支持

首長四方及首長四方一名控股股東首鋼控股(香港)有限公司已承諾向本集團提供財政支持，使本集團能夠於財務責任產生時完全履行，並於本報告日期起計十二個月期間繼續經營本集團之業務。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註



3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new and revised Standards and Interpretations") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2005. The adoption of these new and revised Standards and Interpretations has resulted in changes to the Group's accounting policies in the following areas that have an effect on the amounts reported for the current or prior years:

- HKAS 32 Financial Instruments: Disclosure and Presentation
- HKAS 39 Financial Instruments: Recognition and Measurement
- HKFRS 2 Share-based Payment

(a) HKAS 32 Financial Instruments: Disclosure and Presentation and HKAS 39 Financial Instruments: Recognition and Measurement

In the current year, the Group has applied HKAS 32 *Financial Instruments: Disclosure and Presentation* and HKAS 39 *Financial Instruments: Recognition and Measurement*. The application of HKAS 32 has had no material impact on how financial instruments are presented for current and prior accounting periods. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

3. 採納全新及經修訂香港財務報告準則

於本年度，本集團首次採納分別由香港會計師公會（「香港會計師公會」）及香港（國際）財務報告委員會頒佈之全新及經修訂香港財務報告準則、香港會計準則及詮釋（以下統稱為「全新及經修訂準則及詮釋」），該等準則適用於二零零五年一月一日或以後開始之會計期間。採用全新及經修訂準則及詮釋導致本集團之會計政策在以下方面有所變動，因此影響本會計年度及過往會計年度之已公報金額：

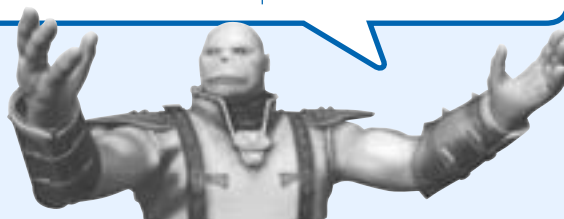
- 香港會計準則第32號 「金融工具：披露及呈列」
- 香港會計準則第39號 「金融工具：確認及計量」
- 香港財務報告準則第2號 「以股份為基礎之付款」

(a) 香港會計準則第32號「金融工具：披露及呈列」及香港會計準則第39號「金融工具：確認及計量」

於本年度，本集團已應用香港會計準則第32號「金融工具：披露及呈列」及香港會計準則第39號「金融工具：確認及計量」。香港會計準則第32號對即期及以往的會計年度金融工具如何呈列並無重大影響。香港會計準則第39號則於二零零五年一月一日或以後開始之年度期間生效，並基本不容許對金融資產及負債進行追溯性確認、取消確認或計量。以下概述實行香港會計準則第39號所產生之主要影響：

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註



3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(a) HKAS 32 Financial Instruments: Disclosure and Presentation and HKAS 39 Financial Instruments: Recognition and Measurement (continued)

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

Financial assets and financial liabilities other than debt and equity securities

From 1 January 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of Statement of Standard Accounting Practice 24 *Accounting for investments in securities*) in accordance with the requirements of HKAS 39. Financial assets and financial liabilities are initially measured at fair value. Financial assets are classified as “financial assets at fair value through profit or loss”, “available-for-sale financial assets”, “loans and receivables” or “held-to-maturity financial assets”. Financial liabilities are generally classified as “financial liabilities at fair value through profit or loss” or “financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)”. Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. Other financial liabilities are carried at amortised cost using the effective interest method after initial recognition. The Group has applied the relevant transitional provisions in HKAS 39. As a result of this change in the accounting policy, the non-interest bearing amount due to a related party — due after one year was stated at amortised cost, giving rise to capital contribution reserve amounting to approximately HK\$445,000 for the year ended 31 December 2005.

3. 採納全新及經修訂香港財務報告準則 (續)

(a) 香港會計準則第32號「金融工具：披露及呈列」及香港會計準則等39號「金融工具：確認及計量」(續)

金融資產及金融負債之分類與計量

本集團就香港會計準則第39號範圍內對金融資產及金融負債之分類及計量已採納香港會計準則第39號之相關過渡條款。

債券及股本證券以外之金融資產及金融負債

自二零零五年一月一日起，本集團乃根據香港會計準則第39號之規定對債券及股本證券以外之金融資產及金融負債（以往不屬於會計實務準則第24號「投資證券會計法」之範圍）進行分類及計量。金融資產及金融負債初時均以公平值計量。金融資產分類為「於損益賬按公平值處理之金融資產」、「可供出售金融資產」、「貸款及應收款項」或「持至到期日金融資產」。金融負債通常分類為「於損益賬按公平值處理之金融負債」或「於損益賬按公平值處理之金融負債以外的金融負債（其他金融負債）」。於損益賬按公平值處理之金融負債按公平值計量，而公平值之變動則直接於損益賬內確認。其他金融負債在初步確認後採用實際利率法按攤銷成本列賬。本集團已採納香港會計準則第39號之相關過渡條文。由於會計政策有是項變動，應付關連人士之免息款項 — 一年後到期按攤銷成本列賬，並產生了截至二零零五年十二月三十一日止年度之資本實繳儲備約445,000港元。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註



3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(a) HKAS 32 Financial Instruments: Disclosure and Presentation and HKAS 39 Financial Instruments: Recognition and Measurement (continued)

Financial assets and financial liabilities other than debt and equity securities (continued)

On 1 January 2005, the Group classified and measured its equity securities in accordance with the transitional provisions of HKAS 39. As a result, "Investment securities" amounted to Nil (net of allowance of approximately HK\$117,000) has been classified as available-for-sale investment on 1 January 2005 (see Note 3A).

Derivative

Prior to 1 January 2005, the Company granted Sotas Limited, a related company, a share option which entitled Sotas Limited to acquire 8,331,615 shares of the Company within 36 months from 4 August 2003 at an aggregate exercise price of US\$600,000. This option meets the definition of a derivative which should be stated at fair value. According to the transitional provisions of HKAS 39, the difference between the previous carrying amount and the fair value should be adjusted to the retained earnings at 1 January 2005. As the exercise price was above the market price of the underlying share as at 1 January 2005, there is no financial impact on the results of the financial statements. During the year, this share option has been cancelled.

3. 採納全新及經修訂香港財務報告準則 (續)

(a) 香港會計準則第32號「金融工具：披露及呈列」及香港會計準則第39號「金融工具：確認及計量」(續)

債券及股本證券以外之金融資產及金融負債 (續)

於二零零五年一月一日，本集團已應用香港會計準則第39號之相關過渡條款。因此，「投資證券」之金額零 (扣除約117,000港元撥備之淨額) 在二零零五年一月一日已被分類為可供出售投資 (見附註3A)。

衍生工具

於二零零五年一月一日前，本公司授予關連公司Sotas Limited購股權，Sotas Limited有權自二零零三年八月四日起36個月內購買本公司股份8,331,615股，總行使價為600,000美元。購股權符合衍生工具之定義，應按公平值列賬。根據香港會計準則第39號之過渡條文，先前賬面值與公平值之差額須在二零零五年一月一日之保留盈利內調整。由於行使價於二零零五年一月一日較相關股份之市價為高，因此對財務報表之業績並無財務影響。年內，有關購股權已被註銷。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註



3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(b) HKFRS 2 Share-based Payment

In the current year, the Group has applied HKFRS 2 *Share-based Payment* which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to directors and employees of the Group, determined at the date of grant of the share options, over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. In relation to share options granted before 1 January 2005, the Group chooses not to apply HKFRS 2 with respect to share options granted on or before 7 November 2002 and vested before 1 January 2005. However, the Group is still required to apply HKFRS 2 retrospectively to share options that were granted after 7 November 2002 and had not yet vested on 1 January 2005. Comparative figures have been restated (see Note 3A).

3. 採納全新及經修訂香港財務報告準則 (續)

(b) 香港財務報告準則第2號「以股份為基礎之付款」

於本年度，本集團已應用香港財務報告準則第2號「以股份為基礎之付款」，該準則規定本集團購買貨品或獲取服務以交換股份或股份之權利（「權益結算交易」）或用以交換價值相當於指定數目之股份或股份之權利之其他資產（「現金結算交易」）時須確認開支。香港財務報告準則第2號對本集團之影響主要為本集團董事及僱員獲授之購股權於授出日期釐定之公平價值，將於歸屬期內支銷。在應用香港財務報告準則第2號以前，本集團在購股權獲行使後方會確認其財務影響。本集團已將香港財務報告準則第2號應用於二零零五年一月一日或之後授出之購股權。就二零零五年一月一日以前授出之購股權而言，本集團選擇對二零零二年十一月七日或以前授出並於二零零五年一月一日以前行使之購股權不予採用香港財務報告準則第2號。然而，本集團仍須將香港財務報告準則第2號追溯應用於二零零二年十一月七日以後授出及於二零零五年一月一日尚未行使之購股權。比較數字已予重列（見附註3A）。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註



3A. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described above on the results for the current and prior years are as follows:

3A. 會計政策變動之影響概要

上述會計政策變動對本年度及過往年度業績之影響如下：

		2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元
Increase in administrative expenses on recognition of share-based payment as expenses and increase in loss for the year	因確認為費用之以股份為基礎之付款而增加之行政開支及本年度虧損增加	1,338	891

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註



3A. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES (continued)

The cumulative effects of the application of the new and revised Standards and Interpretations on 31 December 2004 and 1 January 2005 are summarised below:

3A. 會計政策變動之影響概要 (續)

於二零零四年十二月三十一日及二零零五年一月一日應用全新及經修訂準則及詮釋之累計影響概述如下：

		As at 31 December 2004 (originally stated) 於二零零四年 十二月 三十一日 (原列) HK\$'000 千港元	Retrospective adjustment 追溯調整 HK\$'000 千港元 HKFRS 2 香港財務報告 準則第2號	As at 31 December 2004 (restated) 於二零零四年 十二月 三十一日 (經重列) HK\$'000 千港元	Prospective adjustment 預期調整 HK\$'000 千港元 HKAS 39 香港會計 準則第39號	As at 1 January 2005 (restated) 於二零零五年 一月一日 (經重列) HK\$'000 千港元
Balance sheet items	資產負債項目					
Property, plant and equipment	物業、廠房及設備	14,000	—	14,000	—	14,000
Available-for-sale investment (Note a)	可供出售投資 (附註a)	—	—	—	—	—
Investment securities (Note a)	投資證券 (附註a)	—	—	—	—	—
Other payables and accruals	其他應付賬項及應計費用	(122,621)	—	(122,621)	—	(122,621)
Other net assets	其他資產淨額	55,060	—	55,060	—	55,060
Total effects on assets and liabilities	對資產及負債影響總額	(53,561)	—	(53,561)	—	(53,561)
Share capital	股本	8,008	—	8,008	—	8,008
Accumulated losses	累計虧損	(194,992)	(891)	(195,883)	—	(195,883)
Other reserves	其他儲備	133,423	891	134,314	—	134,314
Total effects on equity	對權益影響總額	(53,561)	—	(53,561)	—	(53,561)

Note:

- (a) On 1 January 2005, the Group classified and measured its equity securities in accordance with the transitional provisions of HKAS 39. As a result, "Investment securities" amounted to Nil (net of allowance of approximately HK\$117,000) has been classified as available-for-sale investment on 1 January 2005 (see note 16).

附註：

- (a) 本集團於二零零五年一月一日按香港會計準則第39條之過渡條款對其投資證券進行分類及計量。因此，「投資證券」金額為零港元 (扣除約117,000港元撥備之淨額) 已被分類為可供出售投資 (見附註16)。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註



3A. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES (continued)

The Group has not early applied the following new and revised Standards and Interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these new and revised Standards and Interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital Disclosure ¹
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures ²
HKAS 21 (Amendment)	Net Investment in a Foreign operation ²
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions ²
HKAS 39 (Amendment)	The Fair Value Option ²
HKAS 39 and HKFRS 4 (Amendments)	Financial Guarantee Contracts ²
HKFRS 6	Exploration for and Evaluation of Mineral Resources ²
HKFRS 7	Financial Instruments: Disclosures ¹
HK(IFRIC) — INT 4	Determining whether an Arrangement Contains a Lease ²
HK(IFRIC) — INT 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds ²
HK(IFRIC) — INT 6	Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment ³
HK(IFRIC) — INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ⁴

3A. 會計政策變動之影響概要 (續)

本集團並無提前應用下列已頒佈但尚未生效之全新及經修訂準則及詮釋。本公司董事預期，應用該等全新及經修訂準則及詮釋將不會對本集團之財務報表造成重大影響。

香港會計準則第1號(修訂本)	資本披露 ¹
香港會計準則第19號(修訂本)	精算損益、集團計劃及披露 ²
香港會計準則第21號(修訂本)	境外業務投資淨額 ²
香港會計準則第39號(修訂本)	預測集團內部交易之現金流量對沖會計處理法 ²
香港會計準則第39號(修訂本)	期權之公平價值 ²
香港會計準則第39號及香港財務報告準則第4號(修訂本)	財務擔保合約 ²
香港財務報告準則第6號	礦物資源之勘探及評估 ²
香港財務報告準則第7號	金融工具：披露 ¹
香港(IFRIC)－詮釋第4號	釐定安排是否包括租賃 ²
香港(IFRIC)－詮釋第5號	解除運作、復原及環境修復基金所產生權益之權利 ²
香港(IFRIC)－詮釋第6號	參與特定市場所產生之責任－廢棄－電力及電子設備 ³
香港(IFRIC)－詮釋第7號	根據香港會計準則第29號惡性通貨膨脹經濟中之財務報告採用重列法 ⁴

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註



3A. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES (continued)

- ¹ Effective for annual periods beginning on or after 1 January 2007.
- ² Effective for annual periods beginning on or after 1 January 2006.
- ³ Effective for annual periods beginning on or after 1 December 2005.
- ⁴ Effective for annual periods beginning on or after 1 March 2006.

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by HKICPA. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market 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 its subsidiaries.

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.

3A. 會計政策變動之影響概要 (續)

- ¹ 於二零零七年一月一日或其後開始之年度期間生效。
- ² 於二零零六年一月一日或其後開始之年度期間生效。
- ³ 於二零零五年十二月一日或其後開始之年度期間生效。
- ⁴ 於二零零六年三月一日或其後開始之年度期間生效。

4. 主要會計政策

財務報表乃根據香港會計師公會頒佈之香港財務報告準則編製。此外，財務報表載有聯交所創業板證券上市規則及香港公司條例規定之適用披露。

綜合財務報表乃按歷史成本基準編製，惟若干金融工具按公平價值計量，如下列會計政策所述。

綜合基準

綜合財務報表包括本公司及其附屬公司之財務報表。

於本年度內所收購或出售之附屬公司業績乃由收購生效日期起或直至出售生效日期為止計入綜合損益表內(如適用)。

如有需要，本集團會對附屬公司之財務報表作出調整，使其會計政策與本集團其他成員公司所採用者保持一致。

所有本集團內公司間之交易、結餘、收入及開支均已作綜合對銷。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)****Jointly controlled operations**

Where a group company undertakes its activities under joint venture arrangements directly, constituted as jointly controlled operations, the assets and liabilities arising from those jointly controlled operations are recognised in the balance sheet of the relevant company on an accrual basis and classified according to the nature of the item. The Group's share of the income from jointly controlled operations together with the expenses that it incurs are included in the income statement when it is probable that the economic benefits associated with the transactions will flow to/from the Group.

Revenue recognition

Revenue, representing fair value of amount received and receivable from sale of goods in the ordinary course of business, is recognised when all of the following criteria are met:

- the significant risks and rewards of ownership of goods are transferred to buyers;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods are retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Training fee income is amortised over the period of the training course. Unearned training fee income received is recorded as training fees received in advance.

4. 主要會計政策 (續)**共同控制實體**

若一間集團公司承諾其業務乃直接根據合營企業安排組成共同控制業務，則該等共同控制業務所產生之資產及負債乃按應計基準於有關公司之資產負債表內確認，並根據各項目性質予以分類。當預知有關交易之經濟利益將流入／流出本集團時，則本集團所攤佔共同控制業務之收入連同引致之開支乃計入損益表內。

收益確認

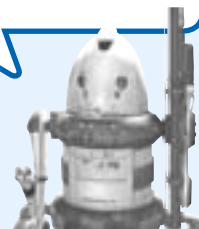
日常業務過程中之銷售貨品收益(指已收及應收金額之公平值)乃於達成下列所有條件時確認：

- 貨品所有權上之重要風險及報酬已轉移予買方；
- 不再對所保留之貨品實施持續管理權及實際控制權；
- 有關收入可以可靠地計量；
- 與交易相關之經濟利益可能流入本集團；及
- 有關交易所產生或將予產生之成本可以可靠地計量。

培訓費收入按培訓課程之期限攤分。已收未賺取之培訓費收入乃入賬列為預收培訓費。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)****Revenue recognition (continued)**

Computer Graphic ("CG") creation and production income is recognised when the film production service is provided.

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.

Box office receipts are recognised when the digital motion pictures are exhibited.

Franchise fees from digital cinemas for use of equipment are recognised based on certain percentage of revenue generated from the leasing of equipment in accordance with the franchise agreement.

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.

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 are provided to write off the cost of property, plant and equipment, other than construction in progress, over their estimated useful lives, using the straight line method.

4. 主要會計政策 (續)**收益確認 (續)**

電腦圖像(「電腦圖像」)創作及製作收入乃於提供電影製作服務時確認。

技術服務收入乃於提供服務時確認。

設備租賃之租金收入乃以直線法按有關租賃期限確認。

票房收入乃於數碼動畫上映時確認。

因使用數碼影院設備而產生之專利權費乃根據專利權協議之內容按租賃設備所產生收益之若干百分比確認。

金融資產的利息收入乃經參考尚未償還本金額及適用之有效息率(即可將預計於該資產的預期壽命內的未來現金收入完全折現為該資產的賬面值的息率)後按時間比例基準確認。

物業、廠房及設備

物業、廠房及設備(在建項目除外)乃按成本值減日後之累計折舊及累計減值虧損列賬。

折舊指按物業、廠房及設備(在建項目除外)之估計可使用年期以直線法攤減其資產之成本。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)****Property, plant and equipment (continued)**

Construction in progress represents assets in the course of construction for production, or administrative purposes, or for purposes not yet determined, are carried at cost, less any identified impairment loss. Cost includes all construction expenditure and other direct costs attributable to such projects. Costs on completed construction work are transferred to other appropriate category of property, plant and equipment and depreciation of these assets are charged, on the same basis as other assets when the construction of the related assets is completed.

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 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 income statement on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight line basis over the lease term.

4. 主要會計政策 (續)**物業、廠房及設備 (續)**

在建項目指尚在製作過程中或作行政用途或使用目的仍未釐定之資產，並按成本值減任何已確認減值虧損入賬。成本包括所有在建項目開支及該等項目之其他直接應佔成本。在建項目完成時之成本乃轉撥至其他物業、廠房及設備之適當類別，並按相同基準於有關資產之興建完成時將該等資產之折舊扣除作其他資產。

按融資租賃持有之資產乃以所擁有資產之相同基準按其估計可使用年期或(倘較短)相關租賃期限予以折舊。

物業、廠房及設備項目於出售時或當繼續使用該資產預期不會產生任何日後經濟利益時取消確認。資產取消確認產生之任何損益(按該項目之出售所得款項淨額與賬面值間之差額計算)於該項目取消確認之年度計入損益表。

租賃

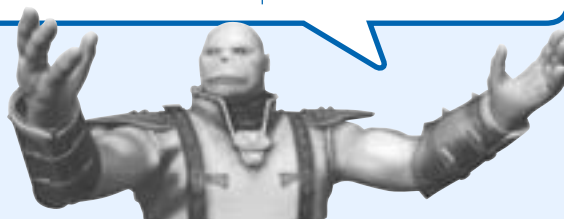
當租賃條款將所涉及擁有權之絕大部份風險及回報轉讓予承租人時，租賃乃分類為融資租賃。所有其他租賃均分類為經營租賃。

本集團作為出租人

經營租賃之租金收入乃按相關租賃年期以直線法於損益表確認。於協商及安排時引致之初步直接成本乃加至租賃資產之賬面值，並按租賃年期以直線法確認作一項支出。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註



4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)**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 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. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

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 its 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 retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

4. 主要會計政策 (續)

租賃 (續)**本集團作為承租人**

按融資租賃持有之資產按租賃開始時之公平價值或(倘為較低者)按最低租金之現值確認為本集團資產。出租人之相應負債於資產負債表列作融資租賃承擔。租金按比例於融資費用及減少租賃承擔之間作出分配，從而使該等負債之應付餘額之息率固定。融資費用於損益中扣除。

經營租賃之應付租金乃按相關租賃年期以直線法於損益賬扣除。作為訂立一項經營租賃之優惠之已收及應收福利乃以直線法按租賃年期確認為租金支出減少。

外幣

於編製各個別集團實體之財務報表時，以該實體功能貨幣以外之貨幣(外幣)進行之交易均按交易日期之適用匯率換算為功能貨幣(如該實體經營所在主要經濟地區之貨幣)記賬。於各結算日，以外幣計值之貨幣項目均按結算日之適用匯率重新換算。按公平價值以外幣計值之非貨幣項目乃按於公平價值釐定當日之適用匯率重新換算。按外幣過往成本計量之非貨幣項目毋須重新換算。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

4. **SIGNIFICANT ACCOUNTING POLICIES** (continued)**Foreign currencies** (continued)

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. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

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.

4. **主要會計政策** (續)**外幣** (續)

於結算及換算貨幣項目時產生之匯兌差額均於彼等產生期間內於損益中確認。以公平價值計值之非貨幣項目經重新換算後產生之匯兌差額於該期間列作損益，惟換算直接於權益內確認盈虧之非貨幣項目產生之差額除外，在此情況下，匯兌差額亦直接於權益內確認。

就呈列綜合財務報表而言，本集團海外經營業務之資產及負債乃按於結算日之適用匯率換算為本公司之列賬貨幣（即港元），而其收入及支出乃按該年度之平均匯率進行換算，除非匯率於該期間內出現大幅波動則作別論，於此情況下，則採用於換算當日之適用匯率。所產生之匯兌差額（如有）乃確認作權益之獨立部份（匯兌儲備）。該等匯兌差額乃於海外業務被出售之期間內於損益賬內確認。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)****Film costs and films under production**

Films under production is stated at lower of cost and net realisable value. Cost comprises direct production costs, consultancy fees, payment for intellectual property rights and appropriate proportion of production overheads which are allocated on the basis of floor areas occupied by the production unit, proportion of time of production facilities utilised or other systematic allocation methods where the directors consider appropriate.

Production costs are transferred to film costs upon completion. Film costs are stated at the lower of cost and net realisable value.

Inventories

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

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 net profit as reported in the 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.

4. 主要會計政策 (續)**電影成本及在製電影**

在製電影乃按成本值與可變現淨值之較低者列賬。成本包括直接製作成本、顧問費、知識產權費及所佔日常製作費用之適當部份，而日常製作費用乃按製作室所佔樓面面積、所使用製作設備之時間比例或董事認為適宜之其他系統分配方法分攤。

製作成本於製作完成後轉撥至電影成本內。電影成本乃按成本值與可變現淨值之較低者列賬。

存貨

存貨乃按成本值與可變現淨值之較低者列賬。成本按先入先出法計算。

稅項

所得稅開支指本期應付稅項及遞延稅項。

本期應付稅項乃按本年度之應課稅溢利計算。應課稅溢利與損益表中所報純利不同，是因為前者不包括在其他年度應課稅或可扣稅的收入或開支，並且不包括損益表內從未課稅或扣稅之項目。本集團之當期稅項負債乃按結算日已實行或大致上已實行之稅率計算。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註



4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases 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 profits 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, 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 profits 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 enacted or substantially enacted by the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

4. 主要會計政策 (續)

稅項 (續)

綜合財務報表資產及負債賬面值與計算應課稅溢利所用相應稅基間之差額確認為遞延稅項，並使用資產負債表負債法列賬。一般會就所有應課稅暫時差額一般會確認為遞延稅項負債，而可能出現可用作抵扣可扣稅暫時差額之應課稅溢利時則提撥遞延稅項資產。若於一項交易中，因商譽或因業務合併以外原因初步確認其他資產及負債而引致既不影響應課稅溢利亦不影響會計溢利之暫時差額，則不會確認該等資產及負債。

遞延稅項負債乃按因投資於附屬公司而產生之應課稅暫時差額確認，惟若本集團可控制暫時差額之撥回及暫時差額可能於可見將來不會撥回之情況則除外。

遞延稅項資產之賬面值會於各結算日作檢討，並在不再可能有足夠應課稅溢利讓全部或部分資產得以收回時作調減。

遞延稅項乃以於結算日已制定或在相當程度上已制定之稅率為基準，按預期於負債清償或資產變現期間內之適用稅率計算。遞延稅項會於損益表中扣除或計入損益表，惟倘與遞延稅項有關之項目直接於股本權益中扣除或計入，則該遞延稅項亦會於股本權益中處理。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)****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.

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

Financial instruments

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

Financial assets

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

4. 主要會計政策 (續)**研究及開發開支**

研究活動開支乃於其產生之期間內確認作支出。

因開發開支而由內部產生之無形資產僅於清晰界定之項目所產生之開發成本預計會透過未來商業活動收回時確認。所產生之資產乃以直線法按其估計使用年期攤銷。

若未能確認內部產生之無形資產，則開發開支乃於產生之期間內確認作支出。

金融工具

金融資產及金融負債乃於某集團實體訂立金融工具契約條文時在資產負債表確認。金融資產及金融負債按公平價值初步確認。收購或發行金融資產及金融負債直接應佔之交易成本（於損益賬按公平價值處理之財務資產及財務負債除外）乃於初步確認時計入金融資產或金融負債之公平價值或自金融資產或金融負債之公平價值扣除（如合適）。收購於損益賬按公平價值處理之金融資產或金融負債直接應佔之交易成本即時於損益賬內確認。

金融資產

本集團之金融資產乃歸類為下列四個類別之其中一個，包括於損益賬按公平價值處理之金融資產、貸款及應收款項、持至到期日投資及可供出售金融資產。所有定期買賣金融資產乃按交易日基準確認及取消確認。定期買賣指購買或出售金融資產，並規定在市場規例或慣例設定之時間框架內交付資產。所採納之與各類金融資產有關之會計政策載於下文。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

4. **SIGNIFICANT ACCOUNTING POLICIES** (continued)**Financial instruments** (continued)*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade receivables, deposits and other receivables) are carried at amortised cost using the effective interest rate method, less any identified impairment losses. 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 assets' carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction 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.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

4. **主要會計政策** (續)**金融工具** (續)*貸款及應收款項*

貸款及應收款項乃於現行市場所報之固定或可釐定付款之非衍生金融資產。於初步確認後之各結算日，貸款及應收款項（包括應收貿易賬款、按金及其他應收款項）乃採用實際利率法按攤銷成本減任何已識別減值虧損列賬。減值虧損於有客觀證據顯示資產出現減值時在損益賬確認，並按資產之賬面值與按原先實際利率折現之估計未來現金流量之現值間之差額計算。倘資產之可收回數額增加乃確實與確認減值後所引致之事件有關，則減值虧損會於隨後期間撥回，惟該項資產於減值撥回日期之賬面值不得超過假設減值未予確認之攤銷成本。

可供出售金融資產

可供出售金融資產屬非衍生項目，無論是否指定或劃分為其他任何類別。於初步確認後之各結算日，可供出售金融資產按公平價值計量。公平價值之變動於股本權益確認，直至該金融資產被出售或釐定為被減值，屆時過往於股本權益確認之累計損益會自股本權益剔除，並於損益表確認。可供出售金融資產之任何減值虧損於損益表確認。可供出售股權投資之減值虧損不會於以後期間撥回。就可供出售債務投資而言，倘該投資之公平價值增加能夠客觀地與確認減值虧損後之事件有關，則減值虧損隨後將獲撥回。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

4. **SIGNIFICANT ACCOUNTING POLICIES** (continued)**Financial instruments** (continued)*Available-for-sale financial assets* (continued)

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 and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset 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 losses will not reverse in subsequent periods.

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. The Group's financial liabilities are generally included other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Other financial liabilities

Other financial liabilities including trade payables, other payables and accruals, amounts due to fellow subsidiaries/directors/shareholders/related parties, loans from a fellow subsidiary/shareholders, obligations under finance leases, bank borrowings and other loans are subsequently measured at amortised cost, using the effective interest rate method.

4. **主要會計政策** (續)**金融工具** (續)*可供出售金融資產* (續)

就並無活躍市場之市場報價及公平價值不能可靠計量之可供出售股權投資，以及與該等非上市股權工具有關並須以交付該等工具結算之衍生工具而言，該等投資於首次確認後之各結算日按成本值減任何已確認減值虧損計量。倘有客觀證據顯示資產減值，則於損益表確認減值虧損。減值虧損數額按資產賬面值與按類似金融資產之現行市場回報率折現估計未來現金流量之現值之差額計算。該等減值虧損不會於以後期間撥回。

金融負債及股本工具

集團實體發行之金融負債及股本工具乃按所訂立之契約安排之性質及金融負債和股本工具之定義分類。

股本工具乃證明集團於扣減其所有負債後之資產中擁有剩餘權益之任何合約。本集團之金融負債一般包括其他金融負債。就金融負債及股本工具所採納之會計政策載於下文。

其他金融負債

其他金融負債(包括應付貿易賬款及應付票據、其他應付款項及應計費用、銀行借貸及融資租賃承擔)乃隨後採用實際利率法按攤銷成本列賬。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)****Financial instruments (continued)***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 the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

For financial liabilities, they are removed from the Group's balance sheet (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expired). The difference between the carrying amount of the financial liability derecognised and the consideration received or receivable is recognised in profit or loss.

Equity-settled share-based payment transactions***Share options granted to 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).

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 option reserve will be transferred to accumulated profits/losses.

4. 主要會計政策 (續)**金融工具 (續)***股本工具*

本公司發行之股本工具乃按已收所得款項 (扣除直接發行成本) 列賬。

取消確認

倘從資產收取現金流之權利到期或金融資產被轉讓，且本集團已將其於金融資產擁有權之全部風險及回報實質轉移，則金融資產將被取消確認。於取消確認金融資產時，資產賬面值與已收代價及已直接於權益確認之累計損益之總和之差額，將於損益賬內確認。

就金融負債而言，倘有關合約規定之責任獲解除、取消或到期，則將於本集團之資產負債表中移除。取消確認之金融負債之賬面值與已收或應收代價之差額乃於損益賬內確認。

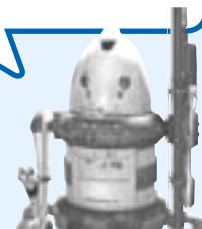
**以權益結算之以股份為基礎之付款交易
本集團僱員獲授之購股權**

按獲授購股權於授出日期之公平價值釐定之所獲服務之公平價值，乃於歸屬期間隨股權相應增加以直線法列作開支 (購股權儲備)。

購股權獲行使時，先前於購股權儲備中確認之數額將轉撥至股份溢價。倘購股權被收回、註銷或於屆滿日期仍未獲行使，則先前於購股權儲備確認之數額將轉移至累計溢利／虧損中。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)****Impairment losses**

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.

Borrowing costs

Borrowing costs directly attributable to the production of films that necessary takes a substantial period of time to get ready for sale are capitalised as part of the production work in progress. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended sale.

All other borrowing costs are recognised as expenses in the period in which they are incurred.

4. 主要會計政策 (續)**減值虧損**

於各結算日，本集團會審核其有形及無形資產之賬面值，以釐定該等資產是否出現任何減值虧損跡像。若估計資產之可收回數額低於其賬面值，則該資產之賬面值將減至其可收回數額。減值虧損乃即時確認作開支。

若減值虧損隨後撥回，則資產之賬面值乃增至其可收回數額之經修訂估計值，惟經增加後之面值不得超過於過往年度資產並無出現任何減值虧損時釐定之賬面值。撥回之減值虧損乃即時確認作收入。

借貸成本

若在製電影需長時間準備方可出售，則電影製作之直接應佔借貸成本須作為在製項目部份撥充資本。當絕大部份資產已可作其原擬定出售，則有關借貸成本將停止撥充資本。

所有其他借貸成本乃於其產生之期間內確認作支出。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)****Retirement benefit costs**

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as expenses when they fall due.

5. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the process of applying the entity's accounting policies which are described in note 4, management has made the following judgement that have significant effect on the amounts recognised in the financial statements. 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, are also discussed below.

Going concern

The Group incurred significant losses of approximately HK\$76,356,000 for the year ended 31 December 2005 and the Group had net current liabilities and net liabilities of approximately HK\$131,111,000 and HK\$128,212,000 respectively. The Directors are of the opinion that the preparation of these financial statements are based on going concern and the basis of going concern has been disclosed in note 2. Should there be any problem in the going concern of the Group, all the assets and liabilities have to be stated at net realisable values. In particular, the non-current assets (which represents the property, plant and equipment only) and the non-current liabilities have to be reclassified as current assets and current liabilities respectively. As at 31 December 2005, the Directors have fully impaired those property, plant and equipment with recoverable problem and adequate allowances have been made for bad and doubtful debts and inventories. In the opinion of the Directors, the carrying amounts of all the assets and liabilities approximately their fair values.

4. 主要會計政策 (續)**退休福利成本**

向政府管理退休福利計劃及強制性公積金計劃作出之供款乃於其到期支付時扣除作支出。

5. 關鍵會計判斷及估計不明朗因素之主要來源

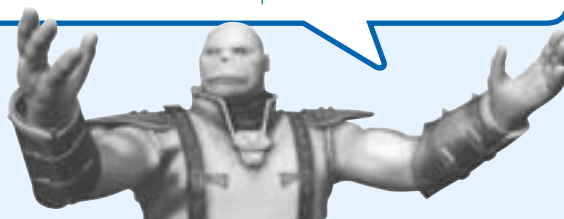
於應用本集團之會計政策 (如附註4所述) 過程中, 管理層曾作出下列對於財務報表內已確認之數額有重大影響之判斷。有關日後之主要假設及於結算日之估計不明朗因素之其他主要來源 (擁有導致下個財政年度資產及負債之賬面值出現大幅調整之重大風險) 亦載於下文。

可持續經營

本集團截至二零零五年十二月三十一日止年度產生重大虧損約76,356,000港元及本集團之流動負債淨額及負債淨額約分別為131,111,000港元及128,212,000港元。董事認為此等財務報表乃按照可持續經營基準所編製而可持續經營基準已披露於附註2。若本集團之持續經營出現任何問題, 則其全部資產及負債皆須要以可變現淨值列賬。特別是本集團只包括物業、廠房及設備的非流動資產及非流動負債均須要分別再分類為流動資產及流動負債。董事於二零零五年十二月三十一日已經把該等回收能力有問題的物業、廠房及設備全數減值。董事對呆壞賬及存貨都作出了充足撥備。董事認為所有資產和負債之賬面值約為彼等之公平值。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註



5. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

Depreciation

The Group's net book values of property, plant and equipment as at 31 December 2005 was approximately HK\$6,301,000. The Group depreciates the computer equipment on a straight line basis over the estimated useful life of three years, and after taking into account of their estimated residual value, using the straight line method, at the rate $33\frac{1}{3}\%$ per annum, commencing from the date the computer equipment is placed into use. The estimated useful life and dates that the Group places the computer equipment into use reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's computer equipment.

Allowances for bad and doubtful debts

The policy for allowance for bad and doubtful debts of the Group is based on the evaluation of collectability and aged analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required. Allowance for bad and doubtful debts of approximately HK\$521,000 was made for the year ended 31 December 2005 (2004: Nil).

Allowances for inventories

The management of the Group reviews an aged analysis at each balance sheet date, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. The management estimates the net realisable value for such raw materials and finished goods based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at each balance sheet date and makes allowance for obsolete items. Allowance for inventories of approximately HK\$2,645,000 was made for the year ended 31 December 2005 (2004: Nil).

5. 關鍵會計判斷及估計不明朗因素之主要來源 (續)

折舊

本集團之物業、廠房及設備於二零零五年十二月三十一日之賬面淨值約為6,301,000港元。本集團乃按電腦設備之估計可使用年期(三年)，並經計及其估計殘值，採用直線法按 $33\frac{1}{3}\%$ 之年率，以直線法對其進行折舊(由設備投入生產之日起計)。估計可使用年期及本集團將電腦設備投入使用之日期可反映董事於有關期間之估計，即本集團計劃將來從使用電腦設備中可獲取之經濟利益。

呆壞賬撥備

本集團之呆壞賬撥備政策乃以可收回性評估、賬齡分析及管理層判斷為基礎。評估該等應收款項之最終變現能力需要進行大量判斷，包括每位客戶之現時信譽及過往收款記錄。倘本集團客戶之財務狀況日趨惡化，致使其付款能力降低，則可能須作出額外撥備。呆壞賬撥備於截至二零零五年十二月三十一日止年度提列約521,000港元(二零零四年：無)。

存貨撥備

本集團之管理層均會審閱於各結算日之賬齡分析，並對確認為不再適合用於生產之過時及滯銷庫存品作出撥備。管理層估計該等製成品及在製品之可變現淨值主要根據最新發票價格及現有市況釐定。於各結算日，本集團會對產品逐個進行盤點，並對過時品種作出撥備。存貨撥備於截至二零零五年十二月三十一日止年度提列約2,645,000港元(二零零四年：無)。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註



5. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

Allowance for production work in progress

The policy for allowance for production work in progress of the Group is based on the evaluation of the certainty in finalising the distribution/license agreements in the potential markets and on management's judgement. The management estimates the net realisable value for such production work in progress was approximately HK\$951,000 (2004: HK\$21,301,000) as at 31 December 2005. Allowance for production work in progress of approximately HK\$24,712,000 was made for the year ended 31 December 2005 (2004: HK\$84,615,000).

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 2005, there is no foreseeable financial impact to the Group and no provision for litigation has been made. Details are set out in note 42.

6. Financial Risk Management Objectives and Policies

The Group's major financial instruments include trade receivables, deposits and other receivables, trade payables, other payables and accruals and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and 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.

Currency risk

Several subsidiaries of the Company have foreign currency sales, which expose the Group to foreign currency risk.

Certain trade receivables and borrowings of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

5. 關鍵會計判斷及估計不明朗因素之主要來源 (續)

在製項目撥備

本集團有關在製項目撥備之政策乃根據對專利權發行／許可協議能否於潛在市場得到落實之評估及管理層之判斷釐定。管理層估計該等在製項目於二零零五年十二月三十一日之可變現淨值約為951,000港元(二零零四年：21,301,000港元)。在製項目撥備於截至二零零五年十二月三十一日止年度提列約24,712,000港元(二零零四年：84,615,000港元)。

訴訟撥備

本集團管理層密切監控向本集團提出之任何訴訟。訴訟撥備乃根據法律顧問就可能結果及本集團之負債所提出之意見而作出。於二零零五年十二月三十一日，對本集團並無可見之財務影響，且並無作出任何訴訟撥備。詳情載於附註42。

6. 財務風險管理目標及政策

本集團之主要金融工具包括應收貿易賬款、按金、其他應收款項、應付貿易賬款、其他應付款項及應計費用和銀行借款等。該等金融工具之詳情載於相關附註內。下文載列與該等金融工具有關之風險及如何降低該等風險之政策。管理層管理及監控該等風險，以確保及時有效地採取適當措施。

貨幣風險

本公司若干附屬公司之銷售乃以外幣計值，令本集團承受外幣風險。

本集團若干應收貿易賬款及借貸乃以外幣計值。本集團現時尚無外幣對沖政策。然而，管理層會對外匯風險進行監控，並會考慮在必要時對沖重大外匯風險。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註



6. Financial Risk Management Objectives and Policies (continued)

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing bank borrowings and obligations under finance leases. In relation to these borrowings, the Group currently does not have an interest rate hedging policy. The management manages and monitors this exposure and will consider to implement an appropriate hedging should the need arises.

The interest rate and terms of repayment of obligations under finance leases and bank borrowings of the Group are disclosed in notes 30 and 31, respectively.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2005 in relation to each class of recognised financial assets is the carrying amount of those 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 of the Company consider that the Group's credit risk is significantly reduced.

The five largest customers of the Group accounted for 44% of the revenue of the Group. Management has delegated a team to minimise the Group's concentration of credit risk by assessing the creditability of each customer.

6. 財務風險管理目標及政策 (續)

利率風險

本集團因利率變動對計息銀行借貸及融資租賃承擔之影響而承擔利率風險。就該等借貸而言，本集團現時並無利率對沖政策。管理層對該風險進行管理及監控，並考慮在必要時實施適當對沖。

此外，本集團之計息銀行借貸及融資租賃承擔承受利率變動風險。本集團之銀行借貸及融資租賃承擔之利率及償還條款分別於附註30及31披露。

信貸風險

倘對手方於二零零五年十二月三十一日未能履行彼等之承擔，則本集團就各類已確認金融資產而須承受之最大信貸風險為於綜合資產負債表列賬之資產之賬面值。為最大限度地降低信貸風險，本集團管理層已委派一組人員負責制訂信貸限額、信貸審批及其他監控程序，以確保採取跟進措施收回逾期未付之債項。此外，於各結算日，本集團會評估各項個別貿易債項之可收回金額，以確保就不可收回金額作出之減值虧損經已足夠。就此而言，本公司董事認為本集團之信貸風險已大幅降低。

本集團最大的五位客戶佔本集團收益的44%。管理層經已授權一個小組藉著審查每個客戶之償債能力將本集團之信貸風險濃度減至最低。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

**7. Revenue**

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

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

7. 收益

於本年度內，收益指本集團向外界客戶銷售貨品之已收賬款及應收賬款（減退貨及貿易折讓）；培訓費、技術服務費、發行數碼電影及專利權費產生之收益；電腦圖像創作及製作收入及設備租賃之租金收入。

本集團收益之分析如下：

		2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元
Sales of goods	銷售貨品	19,128	41,630
Training fee	培訓費	7,212	5,064
CG creation and production income	電腦圖像創作及製作收入	4,906	52
Technical service income	技術服務收入	867	—
Rental income from equipment leasing	設備租賃之租金收入	82	1,072
Box office receipts from distribution of digital motion pictures	發行數碼電影之票房收入	—	93
Franchise fee from digital cinema for use of equipment	數碼影院使用設備所產生之專利權費	—	76
		32,195	47,987

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註



8. Business and Geographical Segments

(a) Business segments

For management purposes, the Group is currently organised into three operating divisions — digital content distribution and exhibitions, the provision of CG training courses and CG creation and production. 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 2005

8. 業務及地區分部

(a) 業務分部

就管理而言，本集團現時分為三個經營分部，包括數碼內容發行及展示、提供電腦圖像培訓課程及電腦圖像創作及製作。該等分部乃本集團呈報其主要分部資料之基準。

有關該等業務之分部資料呈列如下：

截至二零零五年十二月三十一日止年度

		Digital content distribution and exhibitions 數碼內容 發行及展示 HK\$'000 千港元	CG training courses 電腦圖像 培訓課程 HK\$'000 千港元	CG creation and production 電腦圖像 創作及製作 HK\$'000 千港元	Consolidated 合計 HK\$'000 千港元
Revenue	收益				
External sales	對外銷售	20,077	7,212	4,906	32,195
Result	業績				
Segment result	分部業績	(9,245)	3,621	(49,487)	(55,111)
Unallocated corporate income	未分配企業收入				66
Unallocated corporate expenses	未分配企業開支				(13,485)
Finance costs	融資成本				(7,675)
Loss before taxation	除稅前虧損				(76,205)
Income tax expense	所得稅開支				(151)
Loss for the year	本年度虧損				(76,356)

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註



8. Business and Geographical Segments

(continued)

(a) Business segments (continued)

For the year ended 31 December 2005

8. 業務及地區分部 (續)

(a) 業務分部 (續)

截至二零零五年十二月三十一日止年度

		Digital content distribution and exhibitions 數碼內容 發行及展示 HK\$'000 千港元	CG training courses 電腦圖像 培訓課程 HK\$'000 千港元	CG creation and production 電腦圖像 創作及製作 HK\$'000 千港元	Corporate 公司 HK\$'000 千港元	Consolidated 合計 HK\$'000 千港元
OTHER INFORMATION	其他資料					
Capital addition	資本增加	411	222	2,002	—	2,635
Depreciation	折舊	1,947	437	5,333	143	7,860
Impairment losses recognised in respect of property, plant and equipment	已確認物業、廠房 及設備之 減值虧損	2,350	—	—	—	2,350
Allowance for production work in progress and inventories	在製項目及存貨 撥備	2,645	—	24,712	—	27,357
Allowance for bad and doubtful debts	呆壞賬撥備	521	—	—	—	521
Share-based payment expenses	以股份為基礎 之付款開支	—	—	—	1,338	1,338
Amortisation of loan guarantee fee	貸款擔保費用之 攤銷	—	—	—	468	468

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註



8. Business and Geographical Segments

(continued)

(a) Business segments (continued)

At 31 December 2005

8. 業務及地區分部 (續)

(a) 業務分部 (續)

於二零零五年十二月三十一日

		Digital content distribution and exhibitions 數碼內容 發行及展示 HK\$'000 千港元	CG training courses 電腦圖像 培訓課程 HK\$'000 千港元	CG creation and production 電腦圖像 創作及製作 HK\$'000 千港元	Consolidated 合計 HK\$'000 千港元
BALANCE SHEET	資產負債表				
Assets	資產				
Segment assets	分部資產	7,981	6,211	2,106	16,298
Unallocated corporate assets	未分配企業資產				18,021
Consolidated total assets	綜合資產總額				34,319
Liabilities	負債				
Segment liabilities	分部負債	3,273	2,455	25,694	31,422
Unallocated corporate liabilities	未分配企業負債				131,109
Consolidated total liabilities	綜合負債總額				162,531

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註



8. Business and Geographical Segments

(continued)

(a) Business segments (continued)

For the year ended 31 December 2004 (as restated)

		Digital content distribution and exhibitions 數碼內容 發行及展示 HK\$'000 千港元	CG training courses 電腦圖像 培訓課程 HK\$'000 千港元	CG creation and production 電腦圖像 創作及製作 HK\$'000 千港元	Consolidated 合計 HK\$'000 千港元
Revenue	營業額				
External sales	對外銷售	42,871	5,064	52	47,987
Result	業績				
Segment result	分部業績	1,601	(9,026)	(105,431)	(112,856)
Unallocated corporate income	未分配企業收入				17
Unallocated corporate expenses	未分配企業開支				(12,818)
Finance costs	融資成本				(5,545)
Loss before taxation	除稅前虧損				(131,202)
Income tax expense	所得稅開支				(25)
Loss for the year	本年度虧損				(131,227)

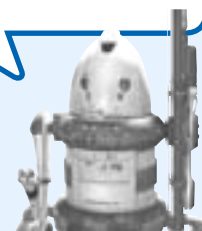
8. 業務及地區分部 (續)

(a) 業務分部 (續)

截至二零零四年十二月三十一日止年度 (經重列)

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註



8. Business and Geographical Segments

(continued)

(a) Business segments (continued)

For the year ended 31 December 2004 (as restated)

8. 業務及地區分部 (續)

(a) 業務分部 (續)

截至二零零四年十二月三十一日止年度 (經重列)

	Digital content distribution and exhibitions 數碼內容 發行及展示 HK\$'000 千港元	CG training courses 電腦圖像 培訓課程 HK\$'000 千港元	CG creation and production 電腦圖像 創作及製作 HK\$'000 千港元	Corporate 公司 HK\$'000 千港元	Consolidated 合計 HK\$'000 千港元	
OTHER INFORMATION	其他資料					
Capital addition	資本增加	1,207	182	3,657	6	5,052
Depreciation	折舊	2,176	2,108	7,197	203	11,684
Impairment losses recognised in respect of property, plant and equipment	已確認物業、廠房及設備之減值虧損	9,912	4,956	—	—	14,868
Impairment losses recognised in respect of available-for-sale investment	已確認可供出售投資之減值虧損	—	—	—	117	117
Allowance for production work in progress	在製項目撥備	—	—	84,615	—	84,615
Share-based payment expenses	以股份為基礎之付款開支	—	—	—	891	891
Amortisation of loan guarantee fee	貸款擔保費用之攤銷	—	—	—	863	863

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註



8. Business and Geographical Segments

(continued)

(a) Business segments (continued)

At 31 December 2004

8. 業務及地區分部 (續)

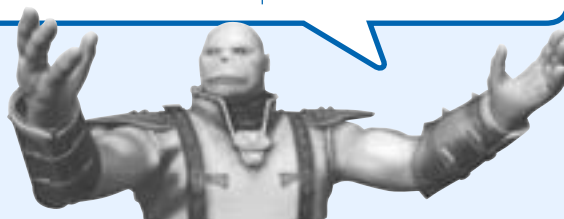
(a) 業務分部 (續)

於二零零四年十二月三十一日

		Digital content distribution and exhibitions 數碼內容 發行及展示 HK\$'000 千港元	CG training courses 電腦圖像 培訓課程 HK\$'000 千港元	CG creation and production 電腦圖像 創作及製作 HK\$'000 千港元	Consolidated 合計 HK\$'000 千港元
BALANCE SHEET	資產負債表				
Assets	資產				
Segment assets	分部資產	28,902	1,944	31,410	62,256
Unallocated corporate assets	未分配企業資產				6,804
Consolidated total assets	綜合總資產				69,060
Liabilities	負債				
Segment liabilities	分部負債	13,415	8,040	8,321	29,776
Unallocated corporate liabilities	未分配企業負債				92,845
Consolidated total liabilities	綜合總負債				122,621

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

**8. Business and Geographical Segments**

(continued)

(b) Geographical segments

The Group's three business segments operate in four main geographical areas, namely the People's Republic of China excluding Hong Kong (the "PRC"), India, Singapore and other regions. The head office of the Group is located in Hong Kong. The Group's CG creation and production centre and the CG training facilities are located in the PRC. Customers of the Group's digital content distribution and exhibitions business are located in the PRC, India, Singapore and other regions.

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

8. 業務及地區分部 (續)**(b) 地區分部**

本集團之三個業務分部主要在四個地區經營，即中華人民共和國不包括香港（「中國」）、印度、新加坡及其他地區。本集團之總辦事處設於香港，而電腦圖像創作及製作中心及電腦圖像培訓學校則位於中國。本集團數碼內容發行及展示業務之客戶遍佈中國、印度、新加坡及其他地區。

下表為本集團收益按地區市場之分析而不論產品來源地。

		2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元
The PRC	中國	13,769	29,747
India	印度	2,123	1,905
Singapore	新加坡	2,439	5,653
Other regions	其他地區	13,864	10,682
		32,195	47,987

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註



8. Business and Geographical Segments

(continued)

(b) Geographical segments (continued)

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

8. 業務及地區分部 (續)

(b) 地區分部 (續)

以下為分部資產之面值及物業、廠房及設備之添置按其資產所在地區之分析：

		Segment assets 分部資產		Additions to property, plant and equipment 物業、廠房及設備之添置	
		2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元
The PRC	中國	21,950	54,987	2,224	3,838
Hong Kong	香港	5,996	7,502	369	1,174
India	印度	196	1,116	—	—
Singapore	新加坡	1,717	861	42	—
Other regions	其他地區	4,460	4,594	—	40
Total	合計	34,319	69,060	2,635	5,052

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註



9. Loss before Taxation

9. 除稅前虧損

		2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元
Loss before taxation was arrived at after charging:	除稅前虧損已扣除下列各項：		
Staff costs, including Directors' emoluments (note 10(a)):	員工成本，包括董事酬金(附註10(a))：		
— Salaries, wages and other benefits	— 薪金、工資及其他福利	28,732	35,590
— Retirement benefit scheme contributions	— 退休福利計劃供款	483	1,683
Total staff costs	總員工成本	29,215	37,273
Less: amounts included in production work in progress	減：計入在製項目之款額	(14,083)	(17,638)
amounts included in research and development costs	計入研究及開發成本之款額	(2,324)	(2,275)
		12,808	17,360
Allowance for bad and doubtful debts	呆壞賬撥備	521	—
Allowance for inventories	存貨撥備	2,645	—
Auditors' remuneration	核數師酬金	1,043	874
Depreciation	折舊	7,860	11,684
Less: amounts included in production work in progress	減：計入在製項目之款額	(4,259)	(6,377)
		3,601	5,307
Exchange loss, net	匯兌虧損淨額	353	177
Cost of inventories recognised as an expense	已確認為開支之存貨成本	32,203	35,278
Loss on disposal of property, plant and equipment	出售物業、廠房及設備之虧損	9	84
Impairment losses recognised in respect of property, plant and equipment	已確認物業、廠房及設備之減值虧損	2,350	14,868
Impairment losses recognised in respect of available-for-sale investment (formerly classified as investment securities, included in administrative expenses)	已確認可供出售投資之減值虧損(過往被分類為投資證券，包括在行政開支之內)	—	117
Minimum lease payments under operating leases for land and buildings	經營租賃土地及樓宇之最低租賃付款	2,302	6,069
Less: amounts included in production work in progress	減：計入在製項目之款額	(1,759)	(1,392)
		543	4,677
Research and development costs and after crediting:	研究及開發成本並計入下列各項：	2,324	2,275
Interest income	利息收入	66	17

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註



10. Directors' Emoluments

(a) Directors' emoluments

The emoluments paid or payable to each of the 11 (2004: 9) Directors were as follows:

10. 董事酬金

(a) 董事酬金

已付或應付十一位董事(二零零四年：九位)之酬金詳情如下：

			Year ended 31 December 2005 截至二零零五年十二月三十一日止年度			
			Retirement			
			Fees	Salaries and other benefits	benefit scheme contributions	Total
			袍金	薪金及 其他福利	退休福利 計劃供款	總額
Notes 附註			HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元
Executive Directors: 執行董事：						
Mr. Chen Zheng	陳征先生	(a)	—	—	—	—
Mr. Raymond Dennis Neoh	梁定雄先生	(b)	—	1,024	8	1,032
			—	1,024	8	1,032
Non-executive Directors: 非執行董事：						
Mr. Cao Zhong	曹忠先生	(c)	—	—	—	—
Dr. David Deng Wei	鄧偉博士		210	—	—	210
Mr. Leung Shun Sang, Tony	梁順生先生	(d)	10	—	—	10
Mr. Anthony Francis Neoh	梁定邦先生	(e)	—	—	—	—
Mr. Stephen Scharf	Stephen Scharf先生	(f)	—	—	—	—
			220	—	—	220
Independent non-executive Directors: 獨立非執行董事：						
Mr. Gordon Kwong Che Keung	鄺志強先生		250	—	—	250
Mr. Bu Fan Xiao	卜凡孝先生	(g)	71	—	—	71
Mr. Paul Kwan Yuen Chiu	關遠釗先生	(h)	—	—	—	—
Professor Japhet Sebastian Law	羅文鈺教授	(i)	250	—	—	250
			571	—	—	571
			791	1,024	8	1,823

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

**10. Directors' Emoluments** (continued)**(a) Directors' emoluments** (continued)

Notes:

- (a) Appointed on 15 February 2005.
- (b) Resigned on 29 August 2005.
- (c) Appointed on 16 February 2005, re-designated from non-executive Director to executive Director on 29 August 2005 and re-designated from executive Director to non-executive Director on 6 February 2006.
- (d) Appointed on 1 December 2005.
- (e) Resigned on 30 December 2005.
- (f) Resigned on 16 February 2005.
- (g) Appointed on 30 May 2005.
- (h) Retired on 30 May 2005.
- (i) Resigned on 1 February 2006.

Mr. Paul Kwan Yuen Chiu waived his emoluments of approximately Nil (2004: HK\$75,000) for the year ended 31 December 2005. No other Directors waived any emoluments for the years ended 31 December 2005 and 2004.

10. 董事酬金 (續)**(a) 董事酬金** (續)

附註：

- (a) 於二零零五年二月十五日獲委任。
- (b) 於二零零五年八月二十九日辭任。
- (c) 於二零零五年二月十六日獲委任，二零零五年八月二十九日由非執行董事轉任執行董事，並於二零零六年二月六日由執行董事轉任非執行董事。
- (d) 於二零零五年十二月一日獲委任。
- (e) 於二零零五年十二月三十日辭任。
- (f) 於二零零五年二月十六日辭任。
- (g) 於二零零五年五月三十日獲委任。
- (h) 於二零零五年五月三十日退任。
- (i) 於二零零六年二月一日退任。

截至二零零五年十二月三十一日止年度，關遠釗先生放棄其酬金零港元（二零零四年：75,000港元）。截至二零零五年及二零零四年十二月三十一日止年度，並無其他董事放棄任何酬金。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

**10. Directors' Emoluments** (continued)**(a) Directors' emoluments** (continued)

		Retirement			Total
		Salaries and other benefits	benefit scheme contributions		
		Fees	benefits		
		袍金	薪金及其他福利	退休福利計劃供款	合計
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元
Executive Directors:					
Mr. Raymond Dennis Neoh		1,200	336	12	1,548
Mr. Richard Yingneng Yin		—	1,200	6	1,206
		1,200	1,536	18	2,754
Non-executive Directors:					
Mr. Anthony Francis Neoh		—	—	—	—
Dr. David Deng Wei		300	—	—	300
Mr. Stephen Scharf		300	—	—	300
		600	—	—	600
Independent non-executive Directors:					
Mr. Gordon Kwong Che Keung		380	—	—	380
Professor Japhet Sebastian Law		380	—	—	380
Mr. Paul Kwan Yuen Chiu		—	—	—	—
Dato' Mohd Ibrahim bin Mohd Zain		133	—	—	133
		893	—	—	893
		2,693	1,536	18	4,247

10. 董事酬金 (續)**(a) 董事酬金 (續)**

Year ended 31 December 2004

截至二零零四年十二月三十一日止年度

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

**10. Directors' Emoluments** (continued)**(b) Employees' emoluments**

During the year, the five highest paid individuals included one Director (2004: two Directors), details of whose emoluments are set out above. The emoluments of the remaining four (2004: three) highest paid individuals were as follows:

		2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元
Salaries and other benefits	薪金及其他福利	5,532	3,867
Retirement benefits schemes contributions	退休福利計劃供款	99	32
		5,631	3,899

Their emoluments were within the following bands:

彼等之酬金介乎以下組別：

		Number of employees 僱員數目	
		2005 二零零五年	2004 二零零四年
Nil to HK\$1,000,000	零至1,000,000港元	3	2
HK\$1,000,001 to HK\$1,500,000	1,000,001港元至1,500,000港元	—	—
HK\$1,500,001 to HK\$2,000,000	1,500,001港元至2,000,000港元	—	—
HK\$2,000,001 to HK\$2,500,000	2,000,001港元至2,500,000港元	1	1
		4	3

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註



11. Finance Costs

11. 融資成本

		2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元
Interest on:	下列各項之利息：		
Bank borrowings wholly repayable within five years	銀行借貸（須於五年內全數償還）	847	1,895
Finance leases	融資租賃	624	1,069
Loan from a fellow subsidiary	同系附屬公司貸款	3,155	—
Loans from related parties	關連人士貸款	1,833	—
Loans from shareholders	股東貸款	352	1,563
Other loans	其他貸款	396	807
Others	其他	468	863
		7,675	6,197
Less: amounts included in production work in progress	減：計入在製項目之款額	—	(652)
		7,675	5,545

12. Income Tax Expense

12. 所得稅開支

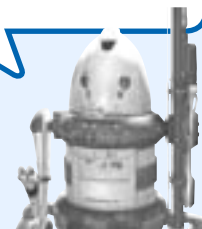
		2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元
The income tax expense comprises:	所得稅開支包括：		
Current tax	當期稅項		
— PRC Enterprise Income Tax (“EIT”)	— 中國企業所得稅（「中國企業所得稅」）	—	25
Deferred tax (note 17)	遞延稅項（附註17）	151	—
		151	25

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

由於本集團未有在香港產生應課稅溢利，故未有在該兩個年度之財務報表內就香港利得稅作出撥備。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

**12. Income Tax Expense** (continued)

Pursuant to the relevant income tax regulations for productive enterprises with foreign investment established in the PRC and being approved by the relevant PRC tax authority, the subsidiaries in the PRC are eligible for an exemption from PRC EIT for two years starting from the first profit-making year after offsetting all tax losses carried forward from the previous five years, followed by a 50% reduction of tax rate in the next three years.

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

12. 所得稅開支 (續)

根據適用於在中國成立之外商投資生產企業之有關所得稅法規並經中國有關稅務機關批准，在中國之附屬公司合資格由其抵消過去五年結轉之所有稅務虧損後首個溢利年度起兩個年度，獲豁免繳納中國企業所得稅，並在其後三年獲減免一半稅率。

本年度所得稅開支與綜合損益表虧損之對賬如下：

		2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元 (restated) (經重列)
Loss before taxation	除稅前虧損	(76,205)	(131,202)
Tax calculated at Hong Kong Profits Tax rate of 17.5% (2004: 17.5%)	按香港利得稅稅率17.5% (二零零四年：17.5%) 計算之稅項	(13,336)	(22,960)
Tax effect of income that are not taxable for tax purpose	就稅務而言不應課稅收入之 稅務影響	(67)	(1)
Tax effect of expenses that are not deductible for tax purpose	就稅務而言不予扣稅開支之 稅務影響	14,576	19,728
Tax effect of tax losses not recognised	未有確認稅務虧損之稅務影響	177	5
Tax effect of temporary differences arising from unrealised profits resulting from intra-group transactions not recognised	集團間未確認交易引致 未變現溢利所產生之 暫時差異之稅務影響	(3,484)	1,171
Effect of tax exemptions granted to subsidiaries in the PRC	中國附屬公司獲授稅項 豁免之影響	320	2,114
Effect of different tax rates of subsidiaries operating in other jurisdictions	於其他司法權區經營之 附屬公司之稅率差異之影響	1,965	(32)
Income tax expense for the year	本年度所得稅開支	151	25

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

**13. Loss per Share**

The calculation of the basic earnings per share is based on the loss attributable to the ordinary equity holders of the Company of HK\$76,356,000 (2004: HK\$131,227,000 as restated) and the weighted average of 800,820,000 shares (2004: 793,197,377 shares) in issue during the year.

No diluted loss per share has been calculated for the year ended 31 December 2005 and 2004 as the exercise of the share options could result in a decrease in the loss per share.

The following table summarises the impact on basic loss per share as a result of:

13. 每股虧損

每股基本盈利乃按本公司普通權益持有人應佔之虧損額約76,356,000港元(二零零四年：131,227,000港元經重列)及年內已發行800,820,000股(二零零四年：793,197,377股)之加權平均值計算。

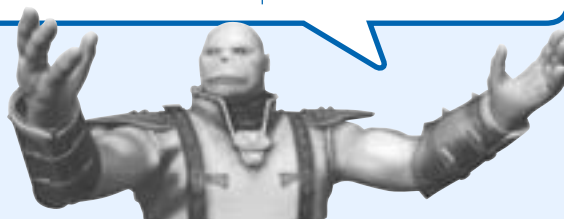
由於行使購股權會導致二零零五年度及二零零四年度之每股虧損減少，故並無計算截至二零零四年及二零零五年十二月三十一日止年度之每股攤薄虧損。

下表概述以下各項對每股基本虧損之影響：

		Impact on basic loss per share 對每股基本虧損之影響	
		2005 二零零五年 HK cents 港仙	2004 二零零四年 HK cents 港仙
Reported figures before adjustments	調整前之已公佈數字	(9.36)	(16.43)
Adjustments arising from changes in accounting policies (See Note 3A)	會計政策改動產生之調整 (見附註3A)	(0.17)	(0.11)
Restated	經重列	(9.53)	(16.54)

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註



14. Property, Plant and Equipment

14. 物業、廠房及設備

		Equipment, Leasehold improvements	furniture and fixtures	Computer equipment	Digital film encoders and servers 數碼電影 編碼器及 伺服器	Motor vehicles	Construction in progress	Total
		租賃裝修 HK\$'000 千港元	設備、傢俬 及裝置 HK\$'000 千港元	電腦設備 HK\$'000 千港元	HK\$'000 千港元	汽車 HK\$'000 千港元	在建項目 HK\$'000 千港元	合計 HK\$'000 千港元
COST	成本							
At 1 January 2004	於二零零四年一月一日	16,909	1,067	30,534	1,914	1,022	4,684	56,130
Additions	添置	16	198	4,838	—	—	—	5,052
Disposals	出售	—	—	(4)	—	(570)	—	(574)
Transfer	轉撥	4,684	—	—	—	—	(4,684)	—
At 31 December 2004 and 1 January 2005	於二零零四年十二月三十一日 及二零零五年一月一日	21,609	1,265	35,368	1,914	452	—	60,608
Exchange realignment	匯兌調整	416	18	244	—	2	—	680
Additions	添置	—	162	2,473	—	—	—	2,635
Disposals	出售	—	(14)	(397)	—	—	—	(411)
At 31 December 2005	於二零零五年十二月三十一日	22,025	1,431	37,688	1,914	454	—	63,512
DEPRECIATION, AMORTISATION AND IMPAIRMENT	折舊、攤銷及減值							
At 1 January 2004	於二零零四年一月一日	4,215	396	15,016	319	200	—	20,146
Provided for the year	年度撥備	2,157	237	9,047	96	147	—	11,684
Eliminated on disposals	出售撇銷	—	—	(4)	—	(86)	—	(90)
Impairment losses	減值虧損	14,868	—	—	—	—	—	14,868
At 31 December 2004 and 1 January 2005	於二零零四年十二月三十一日 及二零零五年一月一日	21,240	633	24,059	415	261	—	46,608
Exchange realignment	匯兌調整	399	11	212	—	—	—	622
Provided for the year	年度撥備	104	269	7,208	191	88	—	7,860
Eliminated on disposals	出售撇銷	—	(1)	(228)	—	—	—	(229)
Impairment losses	減值虧損	—	—	1,042	1,308	—	—	2,350
At 31 December 2005	於二零零五年十二月三十一日	21,743	912	32,293	1,914	349	—	57,211
NET BOOK VALUES	賬面淨值							
At 31 December 2005	於二零零五年十二月三十一日	282	519	5,395	—	105	—	6,301
At 31 December 2004	於二零零四年十二月三十一日	369	632	11,309	1,499	191	—	14,000

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

**14. Property, Plant and Equipment** (continued)

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

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

Due to a disfurnishment notice from the PRC government to the landlord for which the premises were rented by the Group, the directors considered the relevant leasehold improvements were fully impaired and impairment losses of approximately HK\$14,868,000 were identified and charged to the consolidated income statement for the year ended 31 December 2004.

During the year, the Directors conducted a review of the Group's computer equipment and digital film encoders and servers and determined that a number of these assets were impaired, due to physical damage and technical obsolescence. Accordingly, the carrying amount of computer equipment of one of the Group's subsidiaries amounting to approximately HK\$1,042,000 and the carrying amount of the Group's digital film encoders and servers amounting to approximately HK\$1,308,000 have been fully impaired.

14. 物業、廠房及設備 (續)

上述物業、廠房及設備乃按下列年度比率以直線法予以減值：

租賃裝修	按租約期限
設備、傢俬及裝置	5年
電腦設備	3年
數碼電影編碼器及伺服器	10年
汽車	5年

由於有關中國政府已向本集團所租用物業之業主發出搬遷通知，董事考慮將相關租賃裝修作出全數減值，而已確認之減值虧損約為14,868,000港元並於截至二零零四年十二月三十一日止年度之綜合損益表中扣除。

年內，董事已對本集團之電腦設備、數碼電影編碼器及伺服器作出檢討，由於出現損毀及技術過時，董事認為若干該等資產已經減值。因此，本集團為其中一間附屬公司賬面金額約為1,042,000港元之電腦設備及賬面金額約為1,308,000港元之本集團數碼電影編碼器及伺服器確認作了全數減值。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

**14. Property, Plant and Equipment** (continued)

At 31 December 2005, the cost, accumulated depreciation and impairment, depreciation charge and impairment losses recognised for the year of computer equipment and digital film encoders and servers of the Group held for use in operating leases are analysed as follows:

14. 物業、廠房及設備 (續)

於二零零五年十二月三十一日，本集團用於經營租約之電腦設備及數碼電影編碼器及伺服器之成本、累計折舊及減值、折舊支出及減值虧損之分析如下：

		Computer equipment 電腦設備		Digital film encoders and servers 數碼電影編碼器及伺服器	
		2005 二零零五年 HK\$'000 千港元 (Note) (附註)	2004 二零零四年 HK\$'000 千港元 (Note) (附註)	2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元
Cost	成本	—	583	957	957
Accumulated depreciation and impairment	累計折舊及減值	—	(367)	(957)	(256)
		—	216	—	701
Depreciation charge for the year	年度折舊支出	—	233	96	96
Impairment losses recognised for the year	年度確認之減值虧損	—	—	605	—

Note: The operating lease of computer had been expired as at 31 December 2004.

At 31 December 2005, net book values of computer equipment and motor vehicles of the Group included amounts of approximately HK\$2,329,000 (2004: HK\$4,996,000) and HK\$21,000 (2004: HK\$86,000) respectively in respect of assets held under finance leases.

Computer equipment with net book values of approximately HK\$2,040,000 (2004: Nil) are held under finance lease arrangements with South China International Leasing Company Limited ("SCILCL"), a fellow subsidiary of the Group.

附註：電腦設備之經營租賃已經於二零零四年十二月三十一日到期。

於二零零五年十二月三十一日，就按融資租賃持有之資產而言，本集團電腦設備及汽車之賬面淨值分別包括為數約2,329,000港元（二零零四年：4,996,000港元）及21,000港元（二零零四年：86,000港元）。

賬面值約2,040,000港元（二零零四年：無）之電腦設備，乃根據與本集團之一家同系附屬公司南方國際租賃有限公司（「SCILCL」）訂立之融資租約安排而持有。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

**15. Jointly Controlled Operation**

The Group has entered into a jointly controlled operation to undertake a digital content distribution and exhibition contract. At 31 December 2005, the aggregate amounts of assets, revenue and results recognised in the accounts in relation to the Group's interests in the jointly controlled operation are as follows:

15. 共同控制業務

本集團已訂立一項共同控制業務，以進行數碼內容發行及展示合約。於二零零五年十二月三十一日，於本賬目內確認有關本集團於共同控制業務中所佔權益之資產、收益及業績總額如下：

		2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元
RESULTS	業績		
Revenue	收益		
Box office receipts from distribution of digital motion pictures	發行數碼電影之票房收入	—	93
Franchise fee from digital cinema for use of equipment	數碼影院使用設備所產生之專利權費	—	76
		—	169
Cost of sales — depreciation	銷售成本 — 折舊	(96)	(96)
Cost of sales — impairment	銷售成本 — 減值	(605)	—
Group's share of (loss) profit for the year	本集團應佔之年度(虧損)溢利	(701)	73
NET ASSETS	資產淨值		
Assets	資產		
Property, plant and equipment — digital film encoders and servers	物業、廠房及設備 — 數碼電影編碼器及伺服器	—	702
Trade receivables	應收貿易賬款	—	268
		—	970

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

**16. Available-for-sale Investment**

(Formerly classified as Investment securities)

16. 可供出售投資

(以往分類為投資證券)

		2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元
Unlisted equity securities	非上市股本證券	117	117
Less: Impairment losses recognised	減：已確認減值虧損	(117)	(117)
		—	—

In accordance with HKAS 39, those securities were reclassified from investment securities which was measured at cost less any impairment loss to available-for-sale investment at the beginning of 1 January 2005 (see Note 3A).

At 31 December 2005, the investment represents investment in a 25% equity interest in Production and Partners Multimedia, SAS ("P&PM"), a company incorporated in France. They are measured at cost less impairment loss at each balance sheet date. Since the Group did not have any significant influence to the investee with no director presented on the board, the investment is accounted for as available-for-sale investment in accordance with HKAS 39.

During the year ended 31 December 2004, the Directors of the Company reviewed the carrying value of the investment with reference to the recoverable amount, impairment losses of approximately HK\$117,000 (2005: Nil) was identified and charged to the consolidated income statement.

根據香港會計準則第39號，該等證券自投資證券重新分類，投資證券按成本減二零零五年一月一日可供出售投資之任何減值虧損計算（見附註3A）。

於二零零五年十二月三十一日，有關投資指於一間法國註冊成立之公司Production and Partners Multimedia, SAS（「P&PM」）擁有25%股權之投資。彼等乃按成本減去於結算日之減值虧損計量。由於本集團因沒有派董事到其董事會對該被投資公司並無任何重大影響，故該項投資乃遵照香港會計準則第39號「可供出售投資」處理。

於截至二零零四年十二月三十一年度內，本公司董事經參考可收回數額後檢討了該項投資之面值，已確認減值虧損約117,000港元（二零零五年：無）並於綜合損益表內扣除。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

**17. Deferred Tax Assets**

The following are the major deferred tax assets recognised by the Group and movements thereon during the year and prior reporting periods:

		Accelerated tax depreciation 加速稅項折舊	Others 其他	Total 合計
		HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元
At 1 January 2004, 31 December 2004 and 1 January 2005	於二零零四年一月一日， 二零零四年十二月三十一日 及二零零五年一月一日	118	33	151
Charge to income statement for the year (note 12)	計入年度損益表 (附註12)	(118)	(33)	(151)
At 31 December 2005	於二零零五年十二月三十一日	—	—	—

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:

於結算日，本集團有以下主要可扣暫時差額及稅項虧損，惟由於無法預知日後溢利來源，故並無確認任何遞延稅項資產：

		2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元
Unrealised profits resulting from intra-group transactions	集團間交易引致之未變現溢利	6,575	26,485
Tax losses that may be carried forward indefinitely	可無限結轉之稅項虧損	8,670	7,657
		15,245	34,142

The Company had no significant unprovided deferred tax for both years or at the balance sheet dates.

本公司於最近兩個年度或於各結算日並無任何重大尚未撥備遞延稅項。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註



18. Inventories, at Cast

18. 存貨(按成本計)

		2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元
Raw materials, net of allowance of approximately HK\$475,000 (2004: Nil)	原料，扣除撥備約475,000港元 (二零零四年：無)	448	1,765
Finished goods, net of allowance of approximately HK\$2,170,000 (2004: Nil)	製成品，扣除撥備約 2,170,000港元 (二零零四年：無)	709	3,758
		1,157	5,523

19. Production Work in Progress

19. 在製項目

		Notes 附註	2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元
Movie, net of allowance of approximately HK\$94,712,000 (2004: HK\$70,000,000)	電影，扣除撥備 約94,712,000港元 (二零零四年：70,000,000港元)	(i)	—	20,340
Television series, net of allowance of approximately HK\$14,615,000 (2004: HK\$14,615,000)	電視連續劇，扣除撥備 約14,615,000港元 (二零零四年：14,615,000港元)	(ii)	—	—
Others	其他		951	961
			951	21,301

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

**19. Production Work in Progress (continued)**

Notes:

- (i) The amount represents production costs incurred for the film titled "Thru the Moebius Strip" (the "Film"), a movie project produced by the Group. Having regard to the latest production status of the Film, projected sales estimated by the Group's sales agents and the uncertainty in finalising distribution/licence agreements among the potential markets on a timely basis, the Directors have made an additional allowance of approximately HK\$24,712,000 (2004: HK\$70,000,000) for the year.

Details of the movements are as follows:

		HK\$'000 千港元
At 1 January 2004	於二零零四年一月一日	75,666
Additions	增加	14,674
Less: allowance	減：撥備	(70,000)
At 31 December 2004 and 1 January 2005	於二零零四年十二月三十一日及二零零五年一月一日	20,340
Additions	增加	4,372
Less: allowance	減：撥備	(24,712)
At 31 December 2005	於二零零五年十二月三十一日	—

- (ii) The amount represents production costs incurred for the television series titled "Panshel's World" (the "TV Series"). As at 31 December 2005, there was a litigation in relation to the co-production of the TV Series, details of which are set out in note 42, the Directors have considered recoverability in these circumstance for the production costs already incurred is uncertain and a full allowance of approximately HK\$14,615,000 was made for the year ended 31 December 2004.

19. 在製項目 (續)

附註：

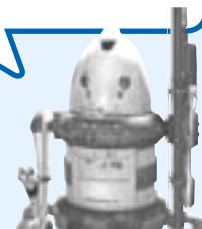
- (i) 該款項指因影片「魔比斯環」(「該影片」)而產生之製作成本，該影片乃本集團製作之電影項目。基於該影片最近製作情況、本集團之銷售代理估計的目標銷售額及未能確定專利權發行／許可協議是否能定於潛在市場得到適時落實等因素，董事已為本年度作出撥備約24,712,000港元。(二零零四年：70,000,000港元)

變動詳情如下：

- (ii) 該款項指因電視連續劇「Panshel's World」(「該電視連續劇」)而產生之製作成本。於二零零五年十二月三十一日，本集團與合作方因共同製作該電視連續劇而引致訴訟(詳情載於附註42)，董事認為，鑑於因該電視連續劇而經已產生的製作成本是否可予收回仍不明朗，故已就此於截至二零零四年十二月三十一日作出全數撥備約14,615,000港元。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

**20. Trade Receivables**

The Group allows an average different 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 at the balance sheet date:

		2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元
Within three months	少於三個月	2,527	16,545
Three to six months	三至六個月	786	1,070
Over six months	六個月以上	351	396
		3,664	18,011

The fair value of the Group's trade receivables at 31 December 2005 approximates to the corresponding carrying amount.

21. Other Financial Assets**(a) Deposits and other receivables**

The fair value of the Group's deposits and other receivables approximates to the corresponding carrying amount.

(b) Bank balance and cash

The Group's deposits carrying interest rate at prevailing bank saving deposits rate and mature within 3 months. The Directors of the Company consider that the fair value of the Group's bank balances and cash approximates to the corresponding carrying amount.

20. 應收貿易賬款

本集團乃根據其貿易往來客戶所提供的產品或服務種類而給予彼等不同的平均信貸期。大多數貨品銷售乃以信用狀方式支付，而剩餘款項則給予90日之平均信貸期。

於結算日，應收貿易賬款之賬齡分析如下：

21. 其他金融資產**(a) 按金及其他應收賬款**

本集團之按金及其他應收賬款公平值約為同期之賬面金額。

(b) 銀行結餘及現金

本集團之存款含當時之銀行儲蓄利率及於三個月內期滿。本公司董事認為本集團銀行結餘及現金之公平值約為同期之賬面金額。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

**22. Pledged Bank Deposits**

The amount represents deposits pledged to banks to secure short-term banking facilities granted to the Group and is therefore classified as current assets.

The deposits carry interest rate at prevailing bank saving deposits rate. The pledged bank deposits will be released upon the settlement of the relevant bank borrowings. The fair value of the deposits at 31 December 2005 approximates to the corresponding carrying amount.

23. Trade Payables

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

		2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元
Within three months	少於三個月	1,049	10,257
Three to six months	三個月至六個月	16	744
Over six months	六個月以上	—	17
		1,065	11,018

The fair value of the Group's trade payables at 31 December 2005 approximates to the corresponding carrying amount.

24. Other Payables and Accruals

The fair value of the Group's other payables and accruals at 31 December 2005 approximates to the corresponding carrying amount.

22. 已抵押銀行存款

該金額指已抵押予銀行作為授予本集團短期銀行額度之擔保並分類為流動資產。

該存款按銀行當時之儲蓄利率計息。已抵押之銀行存款將於償還該相關銀行借款時解除抵押。於二零零五年十二月三十一日該存款之公平值與同期之賬面金額相若。

23. 應付貿易賬款

於結算日，應付貿易賬款之賬齡分析如下：

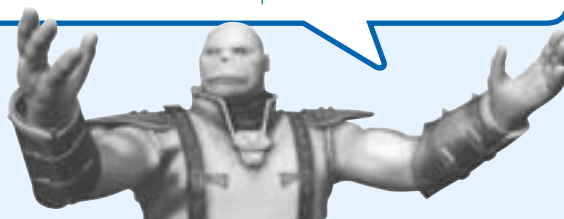
本集團應付貿易賬款的公平值於二零零五年十二月三十一日約為同期之賬面金額。

24. 其他應付款項及應計費用

本集團之其他應付款項及應計費用於二零零五年十二月三十一日之公平值約為同期之賬面金額。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

**25. Amounts due to Fellow Subsidiaries and Directors**

The amounts are unsecured, non-interest bearing and repayable on demand. The fair value of the balances at 31 December 2005 approximates to the corresponding carrying amount.

26. Amounts due to Shareholders

The amounts are unsecured, non-interest bearing and repayable on demand. The fair value of the balances at 31 December 2005 approximates to the corresponding carrying amount.

27. Amounts due to Related Parties**25. 應付同系附屬公司及董事款項**

該等款項為無抵押、免息及按要求時還款。結餘於二零零五年十二月三十一日之公平值與相應之賬面金額相若。

26. 應付股東

該等款項為無抵押、免息及按通知還款。應付股東款項於二零零五年十二月三十一日之公平值與相應之賬面金額相若。

27. 應付關連人士款項

			2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元
Notes 附註				
Amounts due to related parties	應付關連人士款項			
— due within one year:	— 一年內到期			
Mr. Anthony Francis Neoh	梁定邦先生	(a)	4,147	—
Bright Oceans Corporation (HK) Limited	Bright Oceans Corporation (HK) Limited	(a)	458	—
Global Digital Creations Limited ("GDCL")	Global Digital Creations Limited (「GDCL」)	(b)	422	422
Madam Chan Wing Yee, Betty O'Melveny and Myers LLP ("O'Melveny")	Chan Wing Yee, Betty女士 O'Melveny and Myers LLP (「O'Melveny」)	(c) (d)	98 —	— 758
			5,125	1,180
Amounts due to a related party	應付關連人士款項			
— due after one year:	— 一年後到期			
Mr. Raymond Dennis Neoh	梁定雄先生	(e)	1,495	—
			6,620	1,180

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

**27. Amounts due to Related Parties (continued)**

Notes:

- (a) The amounts are unsecured, non-interest bearing and repayable on demand. Due to change of shareholding during the year in February 2005, they are reclassified from shareholders to related parties, who are shareholders of SCG. The amounts are unsecured, non-interest bearing and repayable on demand. The fair value of the balance as at 31 December 2005 approximates to the corresponding carrying amount.
- (b) The amount due to GDCL is unsecured, non-interest bearing and repayable on demand. GDCL is a former holding company of the subsidiaries comprising the Group prior to the group reorganisation completed on 31 December 2002. The fair value of the balance as at 31 December 2005 approximates to the corresponding carrying amount.
- (c) Madam Chan Wing Yee, Betty is the spouse of Mr. Anthony Francis Neoh, a former non-executive Director who had resigned on 30 December 2005 and an existing shareholder of SCG. The amount is unsecured, non-interest bearing and repayable on demand. The fair value of the balance as at 31 December 2005 approximates to the corresponding carrying amount.
- (d) Mr. Stephen Scharf, a former non-executive Director of the Company and had resigned on 16 February 2005. He is a partner of O'Melveny, a law firm in the United States of America. As a result, balance in the amount of approximately HK\$384,000 due to O'Melveny as at 31 December 2005 is classified as the other payables and accruals. The fair value of the balance as at 31 December 2005 approximates to the corresponding carrying amount.
- (e) The amount is due to Mr. Raymond Dennis Neoh, an ex-Director and relative of a shareholder of SCG, is non-interest bearing. The amount was stated at amortised cost at effective interest rate of 9.8% per annum. The imputed interest expense amounted to approximately HK\$445,000 (2004: Nil) is deemed to be a capital contribution and recognised as capital contribution reserve as at 31 December 2005.

27. 應付關連人士款項 (續)

附註：

- (a) 該金額乃無抵押、免息及按通知還款。年內，由於二零零五年二月股東出現變動，該金額已由應付股東改分類為應付成為首長四方股東之關連人士。該金額乃無抵押、免息及按通知還款。於二零零五年十二月三十一日，該結餘之公平值約為其同期之賬面金額。
- (b) 應付GDCL之金額為無抵押、免息及按通知還款。GDCL乃本集團於二零零二年十二月三十一日完成集團重組前組成本集團各附屬公司之前度控股公司。於二零零五年十二月三十一日，該結餘之公平值約為其同期之賬面金額。
- (c) Chan Wing Yee, Betty女士乃首長四方股東梁定邦先生(已經於二零零五年十二月三十日辭任之前非執行董事，並為首長四方之現任股東)之配偶。款項乃無抵押、免息及按通知還款。於二零零五年十二月三十一日，結餘之公平值約為相應之賬面金額。
- (d) 本公司前任非執行董事Stephen Scharf先生已於二零零五年二月十六日辭職。彼乃一家美國律師事務所O'Melveny之合夥人，據此，應付O'Melveny之款項結餘384,000港元於二零零五年十二月三十一日分類為其他應付賬款及應計費用於二零零五年十二月三十一日，該結餘之公平值約為其同期之賬面金額。
- (e) 該免息金額乃應付前任董事及首長四方股東之親屬梁定雄先生，並按每年9.8%之有效利率以攤銷成本列賬。於二零零五年十二月三十一日止年度，該推算之利息開支乃被視為一項資本實繳及已經把約445,000港元(二零零四年：無)確認到資本實繳儲備內。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註



28. Loans from a Fellow Subsidiary/Shareholders

28. 同系附屬公司／股東貸款

		Notes 附註	2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元
Loan from a fellow subsidiary	同系附屬公司貸款			
Due within one year:	一年內到期：			
SCG Finance	首長四方財務	(a)	43,983	—
Loans from shareholders	股東貸款			
Due within one year:	一年內到期			
Bright Oceans Corporation (HK) Limited	Bright Oceans Corporation (HK) Limited	(b)	—	3,157
Due after one year:	一年後到期：			
Mr. Anthony Francis Neoh	梁定邦先生	(c)	—	18,237
			—	21,394

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註



28. Loans from a Fellow Subsidiary/Shareholders (continued)

Notes:

- (a) The loan is unsecured, bears interest at best lending rate as quoted by the Hongkong and Shanghai Banking Corporation Limited ("Best Lending Rate") from time to time plus 3% per annum and is repayable within 90 days from the drawdown date. Pursuant to a renewed loan facility from SCG Finance dated 6 February 2006, the repayment date is extended to 31 December 2006.
- (b) The loan is unsecured, bears interest at Best Lending Rate from time to time plus 3% per annum and is repayable on demand. The loan is reclassified to loan from a related party as a result of the change of shareholding in February 2005, as disclosed in note 29.
- (c) The loan is unsecured, bears interest at Best Lending Rate from time to time plus 3% per annum and the Group does not have an unconditional right to defer settlement of this loan for twelve months after the balance sheet date. The loan is reclassified to loan from a related party as a result of the change of shareholding in February 2005, as disclosed in note 29.

The fair value of the balances at 31 December 2005 approximates to the corresponding carrying amount.

28. 同系附屬公司／股東貸款 (續)

附註：

- (a) 該貸款為無抵押、按香港上海滙豐銀行有限公司不時所報之最優惠利率(「最優惠利率」)加年率3厘計息及於提款日九十日內還款。根據自首長四方於二零零六年二月六日之貸款信貸續期，該還款期已延至二零零六年十二月三十一日。
- (b) 該貸款為無抵押、按不時最優惠利率加年率3厘計息及需按通知償還。於二零零五年二月股東出現變動後，該貸款獲重新分類為關連人士貸款，原因為年內有股東變動(如附註29所披露)。
- (c) 該貸款並無抵押、利息按不時之最優惠利率加年率3%且本集團並無無條件之權利遞延該等貸款之還款至結算日後十二個月。於二零零五年二月股東出現變動後，該貸款獲重新分類為關連人士貸款，原因為年內有股東變動(如附註29所披露)。

於二零零五年十二月三十一日之結餘之公平值約為同期之賬面金額。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註



29. Loans from Related Parties

29. 關連人士貸款

			2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元
	Notes 附註			
Due within one year:		一年內到期：		
Mr. Anthony Francis Neoh	(a)	梁定邦先生	18,256	—
Bright Oceans Corporation (HK) Limited	(b)	Bright Oceans Corporation (HK) Limited	3,201	—
Madam Chan Wing Yee, Betty	(c)	Chan Wing Yee, Betty女士	1,000	1,000
			22,457	1,000

Notes:

附註：

- (a) The loan from Mr. Anthony Francis Neoh, is unsecured, bears interest at Best Lending Rate from time to time plus 3% per annum and the Group does not have an unconditional right to defer settlement of this loan for twelve months after the balance sheet date. The loan is reclassified from loan from a shareholder as a result of the change of shareholding in February 2005, as disclosed in note 28.
- (b) The loan is unsecured, bears interest at Best Lending Rate from time to time plus 3% per annum and is repayable on demand. The loan is reclassified from loan from a shareholder as a result of the change of shareholding in February 2005, as disclosed in note 28
- (c) The loan is advanced from Madam Chan Wing Yee, Betty. The loan is unsecured, bears interest at Best Lending Rate from time to time plus 3% per annum and is repayable on demand.

- (a) 應付予首長四方股東梁定邦先生之貸款為無抵押、按不時最優惠利率加年率3厘計息且本集團並無無條件之權利遞延該等貸款之還款至結算日後十二個月。於二零零五年二月股權出現變動後，該貸款（如附註28所披露）獲重新分類為關連人士貸款。
- (b) 該貸款並無抵押、利息按不時之最優惠利率加年率3%及按通知還款。於二零零五年二月股權出現變動後，如附註28所披露，該貸款由股東貸款重新分類。
- (c) 該貸款由Chan Wing Yee, Betty女士預付。該貸款並無抵押、利息按不時之最優惠利率加年率3%及按通知還款。

The fair value of the balances at 31 December 2005 approximates to the corresponding carrying amount.

於二零零五年十二月三十一日，結餘之公平值約為其相應之賬面金額。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註



30. Obligations under Finance Leases

30. 融資租賃承擔

		Minimum lease payments 最低租金		Present value of minimum lease payments 最低租金之現值	
		2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元
Amounts payable under finance leases:	按融資租賃之應付款項：				
Within one year	一年內	3,939	7,142	3,468	6,796
In more than one year but not more than two years	第一至第二年內	1,534	2,142	1,455	2,058
In more than two years but not more than three years	第二至第三年內	462	155	452	153
		5,935	9,439	5,375	9,007
Less: future finance charges	減：未來融資支出	(560)	(432)	—	—
Present value of lease obligations	租賃承擔之現值	5,375	9,007	5,375	9,007
Less: Amount due for settlement within 12 months (shown under current liabilities)	減：須於十二個月內償還之款項 (列作流動負債)			(3,468)	(6,796)
Amount due for settlement after 12 months	須於十二個月後償還之款項			1,907	2,211

It is the Group's policy to lease certain of its computer equipment and motor vehicles under finance leases. The lease terms range from two to three years. Interest rates are fixed at the contract date ranged from 6.3% to 12.3% (2004: 6.9% to 12.3%) per annum. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

本集團之政策乃根據融資租賃租用若干電腦設備及汽車。租賃年期介乎二至三年不等。利率乃於簽約日期釐定，年率由6.3厘至12.3厘不等（二零零四年：6.9厘至12.3厘）。所有租賃均以固定償還為基準且並無就或然租金訂立任何安排。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

**30. Obligations under Finance Leases (continued)**

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

During the year, the Group has entered into finance lease arrangements for leasing computer equipment from SCILCL. As at 31 December 2005, the finance leases and interest payable to the fellow subsidiary amounted to approximately HK\$1,898,000 (2004: Nil) and HK\$171,000 (2004: Nil) respectively. Interest expense paid during the year in connection to the finance leases amounted to approximately HK\$51,000 (2004: Nil).

The Directors consider that the fair value of the obligations under finance leases approximates to the corresponding carrying amount.

30. 融資租賃承擔(續)

本集團之融資租賃承擔乃由出租人按租賃資產之質押為抵押。

年內，本集團已訂立融資租賃安排，向 SCILCL 租用電腦設備。於二零零五年十二月三十一日，融資租賃及應付租息分別為 1,898,000 港元（二零零四年：零）及 171,000 港元（二零零四年：零）。與融資租賃有關的年內已付利息開支約為 51,000 港元（二零零四年：零）。

董事認為，融資租賃承擔之公平值與相應賬面金額相若。

31. Bank Borrowings

			2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元
Notes 附註				
Unsecured bank loans	無抵押銀行貸款	(a)	24,960	28,286
Secured bank overdrafts	有抵押銀行透支	(b)	2,250	2,056
Secured factoring loan	有抵押貼現貸款	(c)	—	1,565
			27,210	31,907

The above amounts bear interest at prevailing market rates and are repayable within twelve months.

31. 銀行借貸

上述款項乃按現行市場利率計息，並須於以十二個月內償還。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註



31. Bank Borrowings (continued)

Notes:

- (a) On 31 October 2002, banking facilities of RMB30,000,000, or equivalent to approximately HK\$28,286,000, had been obtained by 環球數碼媒體科技研究(深圳)有限公司 Institute of Digital Media Technology (Shenzhen) Limited ("IDMT Shenzhen") from Bank of China, Shenzhen branch ("BOC Facilities"). The BOC Facilities were renewed on 4 November 2005 and the maturity date extended from 31 October 2004 to 3 November 2005. The outstanding loan as at 31 December 2005 was RMB14,985,000 (2004: RMB15,000,000), or equivalent to approximately HK\$14,394,000 (2004: HK\$14,143,000) in which full repayment has been made in January 2006. RMB14,999,000, or equivalent to approximately HK\$14,407,000 (2004: Nil) bank deposits in Bank of China, Shenzhen branch of IDMT Shenzhen was pledged for the purpose of loan renewal arrangement. After the bank loan in the amount of RMB13,000,000 extended from January 2006 to January 2007, it has been released subsequently.

At 31 December 2005, the BOC Facilities were guaranteed by the Company and 中投信用擔保有限公司 ("CICG"), an independent third party (the "CICG Guarantee"). The Company and Mr. Raymond Dennis Neoh have given counter-guarantees in favour of CICG and GDC China Limited ("GDC China"), a subsidiary of the Company, has pledged its entire interest in the registered capital of IDMT Shenzhen to CICG ("BOC Asset Pledge") for the repayment of all debts incurred by CICG for which CICG is liable under the CICG Guarantee. The counter-guarantee given by Mr. Raymond Dennis Neoh and the Company and the BOC Asset Pledge remain effective until IDMT Shenzhen has repaid all debts under the BOC Facilities.

31. 銀行借貸(續)

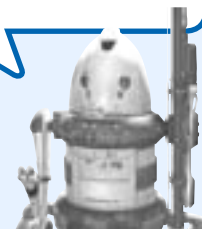
附註：

- (a) 於二零零二年十月三十一日，環球數碼媒體科技研究(深圳)有限公司(「環球數碼媒體科技研究(深圳)」)向中國銀行深圳分行取得人民幣30,000,000元(約相等於28,286,000港元)銀行備用額(「中國銀行備用額」)。中國銀行備用額已於二零零五年十一月四日重續，即到期日由二零零四年十月三十一日延至二零零五年十一月三日。於二零零五年十二月三十一日之未償還貸款為人民幣14,985,000元(二零零四年：人民幣15,000,000元)，或約相等於14,394,000港元(二零零四年：14,143,000港元)已於二零零六年一月全數清還。為了貸款續期安排，環球數碼媒體科技研究(深圳)存放於中國銀行深圳分行之銀行存款人民幣14,999,000元或約相等於14,407,000港元(二零零四年：零港元)已用作抵押。人民幣13,000,000元之銀行貸款由二零零六年一月續期至二零零七年一月後，抵押其後已解除。

於二零零五年十二月三十一日，中國銀行備用額乃由本公司及獨立第三方中投信用擔保有限公司(「中信擔保」)作出擔保(「中信擔保保證」)。本公司與梁定雄先生作出以中信擔保為受益人之反擔保，而本公司之附屬公司環球數碼創意中國有限公司(「環球數碼創意中國」)已向中信擔保質押其於環球數碼媒體科技研究(深圳)註冊股本中之全部權益(「中國銀行資產質押」)，以清償中信擔保因中信擔保保證而產生之全部債務。由梁定雄先生及本公司所提供之反擔保及中國銀行資產質押將一直生效，直至環球數碼媒體科技研究(深圳)清償中國銀行備用額的所有債務為止。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註



31. Bank Borrowings (continued)

Notes: (continued)

On 21 March 2003, another banking facilities of RMB30,000,000, or equivalent to approximately HK\$28,286,000, had been obtained by IDMT Shenzhen from Shenzhen Commercial Bank in Shenzhen ("SCB Facilities"). The outstanding loan as at 31 December 2004 was RMB15,000,000, or equivalent to approximately HK\$14,143,000 which has been fully repaid in March 2005. The SCB Facilities were guaranteed by CIGG (the "SCB Guarantee") and expired on 21 March 2005. The guarantee given by CIGG shall be effective for three years after the expiry of the SCB Facilities. The Company and Mr. Raymond Dennis Neoh have given counter-guarantees to CIGG and GDC China has pledged its entire interest in the registered capital of IDMT Shenzhen ("SCB Asset Pledge") to CIGG for the repayment of all the debts incurred by CIGG for which CIGG is liable under the SCB Guarantee. The counter-guarantees given by Mr. Raymond Dennis Neoh and the Company and the SCB Asset Pledge provided by GDC China remain effective until IDMT Shenzhen has repaid all the debts under the SCB Facilities in March 2005.

In March 2005, Shenzhen Commercial Bank has granted a new bank loan amounted to RMB13,000,000, or equivalent to HK\$12,257,000, matured in March 2006 to IDMT Shenzhen with guarantee given by SCG. The outstanding loan as at 31 December 2005 was RMB11,000,000, or equivalent to HK\$10,566,000.

- (b) At 31 December 2005, a short-term deposit of approximately HK\$2,048,000 (2004: HK\$2,004,000) was pledged to a bank to secure the bank overdrafts. In addition, the Company provided a corporate guarantee of HK\$2,000,000 (2004: HK\$2,000,000) for the overdrafts.

The deposit carries floating interest rate and will be released upon the settlement of relevant bank borrowings. The fair value of the bank deposits at 31 December 2005 approximates to the corresponding carrying amount.

- (c) At 31 December 2004, trade receivable of approximately HK\$2,496,000 was pledged to a bank to secure the factoring loan.

31. 銀行借貸(續)

附註：(續)

於二零零三年三月二十一日，環球數碼媒體科技研究(深圳)向深圳市商業銀行取得另一項為數人民幣30,000,000元(約相等於28,286,000港元)之銀行備用額(「深圳市商業銀行備用額」)。於二零零四年十二月三十一日之未償還貸款為人民幣15,000,000元，或約相等於14,143,000港元已於二零零五年三月悉數償還。深圳市商業銀行備用額由中信擔保作擔保(「深圳市商業銀行擔保」)，有關擔保將於二零零五年三月二十一日到期。由中信擔保提供之擔保將在深圳市商業銀行擔保屆滿後有效，為期三年。本公司及梁定雄先生已給予中信擔保反擔保，而環球數碼創意中國已質押其於環球數碼媒體科技研究(深圳)註冊股本中之全部權益(「深圳市商業銀行資產質押」)，以清償中信擔保因深圳市商業銀行保證而產生之全部債務。梁定雄先生及本公司所提供之反擔保以及由環球數碼創意中國提供的深圳市商業銀行資產質押將一直生效，直至環球數碼媒體科技研究(深圳)於二零零五年三月清償深圳市商業銀行備用額的所有債務為止。

於二零零五年三月，在首長四方作出之擔保下，深圳市商業銀行已向環球數碼媒體研究(深圳)授出為數人民幣13,000,000元(或相等於12,257,000港元)之新貸款，於二零零六年三月到期。於二零零五年十二月三十一日之未償還貸款為人民幣11,000,000或等於10,566,000港元。

- (b) 於二零零五年十二月三十一日，短期銀行存款約2,048,000港元(二零零四年：2,004,000港元)已抵押於一間銀行，作為銀行透支之抵押。此外，本公司就該等透支作出公司擔保為2,000,000港元(二零零四年：2,000,000港元)。

該存款含浮動利率並將於相關銀行借貸清償時撤銷抵押。於二零零五年十二月三十一日該銀行存款之公平值跟其相對之賬面全額相若。

- (c) 於二零零四年十二月三十一日，應收貿易賬款約2,496,000港元已抵押於一間銀行，作為該貼現貸款之抵押。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

**31. Bank Borrowings (continued)**

The carrying amounts of the Group's borrowings are denominated in the following currencies:

		Hong Kong dollars 港元 HK\$'000 千港元	Renminbi 人民幣 HK\$'000 千港元	Total 總額 HK\$'000 千港元
As at 31 December 2005	於二零零五年十二月三十一日			
Bank loans	銀行貸款	—	24,960	24,960
Bank overdrafts	銀行透支	2,250	—	2,250
		2,250	24,960	27,210

		Hong Kong dollars 港元 HK\$'000 千港元	Renminbi 人民幣 HK\$'000 千港元	USD 美元 HK\$'000 千港元	Total 總額 HK\$'000 千港元
As at 31 December 2004	於二零零四年十二月三十一日				
Bank loans	銀行貸款	—	28,286	—	28,286
Bank overdrafts	銀行透支	2,056	—	—	2,056
Factoring loan	貼現貸款	—	—	1,565	1,565
		2,056	28,286	1,565	31,907

The bank borrowings are arranged at averaging floating interest rates as follows:

按平均浮動利率安排之銀行借款如下：

		2005 二零零五年	2004 二零零四年
Bank loans	銀行貸款	6.42%	5.27%
Bank overdrafts	銀行透支	Prime rate* +1%	Prime rate* +1%
Factoring loans	貼現貸款	優惠利率*+1%	優惠利率*+1%
		—	5.13%

* Prime rate represents the Hong Kong Dollar Prime Lending Rate as quoted from time to time by the Hang Seng Bank.

* 優惠利率乃恒生銀行不時報價之港元最優惠利率。

The Directors consider that the carrying amount of bank borrowings approximates their fair value.

董事認為銀行借款之賬面金額約為彼等之公平值。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註



32. Other Loans

32. 其他貸款

			2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元
	Notes 附註			
上海新長寧(集團)有限公司 ("上海新長寧")		上海新長寧(集團)有限公司 ("上海新長寧")	(a) 7,943	7,797
Madam Chu Kwok Ying		Chu Kwok Ying女士	(b) 300	300
SCG Finance		首長四方財務	(c) —	10,843
			8,243	18,940

Notes:

- (a) The loan is unsecured, bears interest at 6% per annum and with maturity date extended from 30 June 2004 to 30 June 2005. The loan is guaranteed by the Company. Subsequent to balance sheet date, the Group has repaid RMB3,000,000 or equivalent to approximately HK\$2,882,000 to 上海新長寧. As at 31 December 2005, interest payable in the amount of approximately HK\$954,000 in connection with the loan is included in other payables and accruals. In March 2006, the Group has signed an agreement with 上海新長寧 to extend the maturity date of the outstanding loan of RMB6,262,000, or equivalent to approximately HK\$6,015,000 to August 2006. A court order was issued against the Group during the year and details of which are disclosed in note 42.

附註：

- (a) 該貸款並無抵押，按年利率6%計息並已經把到期日由二零零四年六月三十日延長至二零零五年六月三十日。該貸款乃由本公司擔保。於結算日後，本集團已經償還予上海新長寧人民幣3,000,000元或約相等於2,882,000港元。於二零零五年十二月三十一日有關該貸款之應付利息金額約為954,000港元，已包括於其他應付款項及應計費用之內。本集團於二零零六年三月經已跟上海新長寧簽訂協議把該未償還貸款人民幣6,262,000元或約相等於6,015,000港元之到期日延長至二零零六年八月。年內發出予本集團之法院判令，有關詳情已披露於附註42。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

**32. Other Loans (continued)**

Notes:

- (b) The loan is unsecured, bear interest at Best Lending Rate from time to time plus 3% per annum and is repayable on demand.
- (c) SCG Finance became a fellow subsidiary of the Group after the change of shareholding in February 2005. As a result, the loan is classified as loan from a fellow subsidiary as at 31 December 2005, as disclosed in note 28.

The Directors consider that the fair value of all other loans approximates to the corresponding carrying amount.

32. 其他貸款 (續)

附註：

- (b) 該等貸款為無抵押、按最優惠利率加年率3厘計息及按通知償還。
- (c) 於二零零五年二月股東出現變動後，首長四方財務乃首長四方持有之全資附屬公司。因此，該貸款於二零零五年十二月三十一日分類為同系附屬公司貸款，已披露於附註28。

董事認為所有其他貸款之公平值與相應賬面金額相若。

33. Share Capital**33. 股本**

		Number of shares 股份數目	Share capital 股本 HK\$'000 千港元
Ordinary shares of HK\$0.01 each	普通股每股0.01 港元		
Authorised:	法定股本：		
At 1 January 2004 and 31 December 2004 and 2005	於二零零四年一月一日及二零零四年和二零零五年十二月三十一日	1,200,000,000	12,000
Issued and fully paid:	已發行及繳足股本：		
At 1 January 2004	於二零零四年一月一日	780,000,000	7,800
Issued of shares by placing	透過配售發行股份	20,820,000	208
At 31 December 2004, 1 January 2005 and 31 December 2005	於二零零四年十二月三十一日、二零零五年一月一日及二零零五年十二月三十一日	800,820,000	8,008

On 14 May 2004, the Company allotted and issued 20,820,000 shares of the Company of HK\$0.01 each to investors through the placing at HK\$0.42 per share, for cash consideration of HK\$8,744,000. The excess of the aggregate cash consideration over the nominal value of shares and net of issuance cost of HK\$8,139,000 was credited to the share premium account of the Company.

The shares were issued for the purpose of raising additional capital to finance its operation.

於二零零四年五月十四日，本公司透過配售以每股0.42港元向數位投資者配發及發行20,820,000股每股面值0.01港元之本公司股份。現金代價為8,744,000港元。該總額高於股份面值減去發行成本之淨額8,139,000港元之餘額已計入本公司股份溢價賬內。

發行該股份的目的乃因要提供額外資本支持其營運。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

**34. Share Option Scheme**

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed at its Special General Meeting held on 18 July 2003 for the primary purpose of providing incentives or rewards to selected participants for their contribution to the Group. The Scheme will expire on 17 July 2013.

Under the terms of Scheme, the Board of Directors of the Company (the "Board") may grant options to all full-time employees, Directors (including independent non-executive directors) and part-time employees with weekly working hours of 10 hours and above, of the Group and any advisor (professional or otherwise) or consultant, distributors, suppliers, agents, customers, joint venture partners, service provider to the Group who the Board considers, in its sole discretion, have contributed or contribution to the Group.

The maximum number of shares which may be issued upon exercise of all options to be granted and yet to be exercised under the Scheme is not permitted to exceed 10% of the shares of the Company in issue which can be refreshed according to the Scheme. The number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised at any time under the Scheme and any other share option schemes of the Company shall not exceed 30% of the issued share capital of the Company from time to time.

34. 購股權計劃

本公司根據於二零零三年七月十八日舉行之股東特別大會上所通過之決議案，採納一項購股權計劃（「該計劃」）。該計劃之主要目的為令本公司可向經選定參與者授出購股權，作為彼等對本集團作出貢獻之獎勵及回報。該計劃將於二零一三年七月十七日屆滿。

根據該計劃之條款，本公司之董事會（「董事會」）可全權酌情向董事會認為已為或將為本集團作出貢獻之本集團所有全職僱員、董事（包括獨立非執行董事）及每週工作時間為10小時及以上之兼職僱員及任何顧問（專業或其他情況）或諮詢者、發行者、供應商、代理、客戶、合營企業夥伴及服務提供者授出購股權。

根據該計劃，待所有將予授出之購股權獲行使後及將予行使時而可予發行之股份最高數目不得超過本公司根據該計劃獲更新後已發行股份之10%。根據該計劃及本公司任何其他購股權計劃，於任何時間待所有已授出但未行使之購股權獲行使後及將予行使時而可予發行之股份數目不得超過本公司不時已發行股本之30%。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

**34. Share Option Scheme (continued)**

The number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders in accordance with the Scheme. Where any grant of options to a substantial shareholder or an independent non-executive Director or any of their respective associates would result in the shares in the Company issued and to be issued upon exercise of all options to such person in the 12-month period up to and including the date of grant in excess of 0.1% of the shares of the Company in issue and with a value (based on the closing price of the shares of the Company at the offer date of each offer) in excess of HK\$5,000,000, such grant of options must be approved in advance by the Company's shareholders in accordance with the Scheme.

An option may be exercised at any time during the period to be determined and notified by the Directors to the grantee and in the absence of such determination, from the date of acceptance of an offer of the grant of such option to the earlier of the date on which such option lapses according to the Scheme and ten years from the date of offer of that option. A consideration of HK\$1 is payable upon acceptance the offer.

The exercise price is determined by the Directors of the Company, and will not be less than the higher of the nominal value of the share; 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.

34. 購股權計劃 (續)

根據該計劃，在未經本公司股東事先批准下，於十二個月期間任何時間內，可向任何個別人士授出之購股權數目不得超過本公司於任何時間已發行股份之1%。根據該計劃，若任何向主要股東或獨立非執行董事或彼等之任何聯繫人士授出之購股權將會導致於直至授出日期(包括該日)為止之十二個月期間內待授予該等人士之所有購股權獲行使後，本公司已發行及將予發行之股份乃超過本公司已發行股份之0.1%及價值(根據本公司股份於各要約日期之收市價計算)超過5,000,000港元，則有關購股權之授出須事先經本公司股東批准。

購股權可於由董事釐定之期間內之任何時間行使，並由董事知會承授人及若董事並無作出有關釐定，則購股權可於由接納有關授出購股權之要約日期起至有關購股權根據該計劃已失效之日及接納有關要約之日期起十年止之日(以較早為準)行使。接納要約後須支付代價1港元。

行使價由本公司之董事釐定，且將不低於(以較高者為準)股份之面值；本公司股份於要約日期之收市價；及股份於緊接要約日期前五個營業日之平均收市價。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

**34. Share Option Scheme (continued)**

During the year ended 31 December 2004, 14,300,000 options have been granted under the Scheme to the directors of the Company of which three tranches of 5,100,000, 5,100,000 and 4,100,000 options shall be vested on the date of approval of the grant of the option, the first and the second anniversary dates of the approval, respectively. Such 14,300,000 options may be exercised at any time during the period from 24 June 2004 to 17 July 2013 at an exercise price of HK\$0.44 per each option. No share option granted under the Scheme had been exercised up to 31 December 2004.

Total consideration received during the year ended 31 December 2004 for taking up the options granted was amounted to HK\$4.

No share option was granted under the Scheme for the year ended 31 December 2005 or at 31 December 2005.

Following the change of major shareholding in February 2005, SCG issued an offer document in respect of a voluntary conditional cash offer to cancel all the outstanding options of the Company. In accordance with HKFRS 2 *Share-based Payment*, as the outstanding options have been cancelled during the vesting period, it should be accounted for as an acceleration of vesting and recognise the amount immediately. Upon the cancellation of options the share option reserve of approximately HK\$2,229,000 was transferred to accumulated losses. Share option expenses in the amount of approximately HK\$1,338,000 (2004: HK\$891,000) was recognised during the year.

34. 購股權計劃 (續)

於截至二零零四年十二月三十一日止年度內，14,300,000份購股權已根據該計劃授予本公司之董事，購股權乃分三批即5,100,000份、5,100,000份及4,100,000份將分別於批准授出購股權之日期、批准後首個週年日及批准後第二個週年日授予董事。該等14,300,000份購股權可於自二零零四年六月二十四日起至二零一三年七月十三日止期間內之任何時間按行使價每份購股權0.44港元行使。直至二零零四年十二月三十一日為止，並無任何根據該計劃授出之購股權獲行使。

於截至二零零四年十二月三十一日止年度內就接納已授出購股權收取之總代價為4港元。

於截至二零零五年十二月三十一日止年度或於二零零五年十二月三十一日，並無根據該計劃授出任何購股權。

緊接著二零零五年二月之主要股權變動，首長四方發出了一份自願性有條件現金收購建議以註銷本公司所有尚未行使購股權。根據香港財務報告準則第二號『以股份為基礎之付款』，因為該未行使購股權已於授出期間內被註銷，此應計入為加速授出並即時予以確認。於該股份被註銷時，約2,229,000港元購股權儲備被轉移到累計虧損內。年內，金額約1,338,000港元之購股權開支(二零零四年：891,000港元)已被確認。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

**34. Share Option Scheme (continued)**

The following table discloses the details of the share options under 2004 Scheme held by the directors and movements in such holdings during the year of 2004 and 2005:

Category of grantees	Date of grant	Exercise price	Number of share options				
			Outstanding at	Granted	Outstanding at	Cancelled	Outstanding at
			1 January	during	1 January	during	31 December
			2004	the year	2005	the year	2005
			於二零零四年		於二零零五年		於二零零五年
			一月一日		一月一日		十二月三十一日
承授人類別	授出日期	行使價	未行使	年內授出	未行使	年內註銷	未行使
		HK\$					
		港元					
Directors	21 June 2004	0.44	—	5,100,000	5,100,000	(5,100,000)	—
董事	二零零四年六月二十一日						
	21 June 2004	0.44	—	5,100,000	5,100,000	(5,100,000)	—
	二零零四年六月二十一日						
	21 June 2004	0.44	—	4,100,000	4,100,000	(4,100,000)	—
	二零零四年六月二十一日						
			—	14,300,000	14,300,000	(14,300,000)	—

The options granted may be exercised in accordance with the terms of the relevant scheme as to:

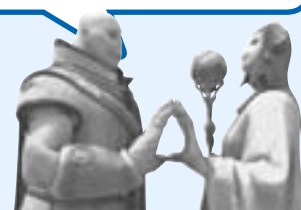
- (i) The first tranche of 5,100,000 options will be exercisable from the date of grant;
- (ii) The second tranche of 5,100,000 options will be exercisable after the expiry of 12 months from the date of grant;
- (iii) The third tranche of 4,100,000 options will be exercisable after 24 months from the date of grant; and
- (iv) The options will expire after ten years from date of grant.

已授出之購股權可按照該計劃之下列條款行使：

- (i) 首批5,100,000購股權可於授出當日起行使；
- (ii) 次批5,100,000購股權可於授出日後12個月後起行使；
- (iii) 第三批4,100,000購股權可於授出日後24個月後起行使；及
- (iv) 購股權將於授出日後十年到期。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

**34. Share Option Scheme (continued)**

The weighted fair value per option of HK\$0.22 was calculated using the Binomial Option Valuation pricing model. The inputs into the model were as follows:

	Share option grant date 21.6.2004
Weighted average share price	HK\$0.44
Exercise price	HK\$0.44
Expected volatility	96%
Expected life	10 years
Risk-free rate	4.57%
Expected dividend yield	NIL

Expected volatility was determined by using the historical volatility of the Company's share price. The expected life used in the model has 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 HK\$1,338,000 for the year ended 31 December 2005 (2004: HK\$891,000) in relation to share options granted by the Company.

35. Major Non Cash Transactions

During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK\$2,211,000 (2004: HK\$2,876,000).

Besides, details of the reclassification of loans from shareholders to loans from related parties and other loan to loan from a follow subsidiary due to the change of shareholding in February 2005 as set in notes 28, 29 and 32.

34. 購股權計劃 (續)

按二項式期權定價模式計算之每份購股權加權公平值為0.22港元。該定價模式之原本數據如下：

	購股權授出日期 為二零零四年 六月二十一日
加權平均股價	0.44港元
行使價	0.44港元
預期波幅	96%
預期壽命	10年
無風險息率	4.57%
預期股息回報	無

預期波幅乃使用本公司股價的歷史波幅所訂定。定價模式中使用之預期壽命已經就按管理層的最佳預測所得的不能轉讓、限制行使及行為考慮而作出調整。

截至二零零五年十二月三十一日止年度，本集團就本公司授出購股權之已確開支總額為1,338,000港元（二零零四年：891,000港元）。

35. 主要非現金交易

於本年度內，本集團已就資產訂立融資租賃安排，租約訂立時之總資本值為2,211,000港元（二零零四年：2,876,000港元）。

此外，由於二零零五年二月股權出現變動，重新分類股東貸款為關連人士貸款及其他貸款為同系附屬公司貸款之詳情載於附註28，29及32。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

**36. Contingent Liabilities**

The Company has given guarantees of approximately HK\$16,408,000 to banks and other parties in respect of general facilities granted to its subsidiaries. The extent of such facilities utilised by the subsidiaries at 31 December 2005 amounted to approximately HK\$14,394,000 (2004: HK\$38,139,000).

37. Operating Leases**The Group as lessee**

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

		2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元
Within one year	一年內	1,447	5,465
In the second to fifth year inclusive	第二至第五年 (包括首尾兩年)	4,808	9,251
		6,255	14,716

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

The Group as lessor

At 31 December 2005, the Group has no outstanding rental arrangement with tenants in respect of operating leases. At 31 December 2004, the Group had contracted with tenants in respect of computer equipment under non-cancellable operating leases of approximately HK\$114,000 which fall due within one year.

In respect of digital film encoders and servers held in use for operating lease, the lease agreement does not contain a fixed lease term, accordingly, the total minimum lease receipts have not been disclosed in the above.

36. 或然負債

本公司已就其附屬公司所獲授之一般信貸而向銀行及其他人士作出約16,408,000港元之擔保。於二零零五年十二月三十一日，附屬公司已動用之有關信貸額為約14,394,000港元（二零零四年：38,139,000港元）。

37. 經營租賃**本集團作為承租人**

於結算日，本集團根據不可撤銷經營租賃而於未來到期應付之最低租金承擔如下：

經營租金指本集團就其若干辦公室單位、製作室、培訓中心、倉庫及員工宿舍而應付之租金。該等物業之租賃年期經協商為一年至五年不等，及須支付固定租金。

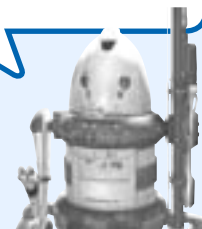
本集團作為出租人

於二零零五年十二月三十一日，本集團並沒有未完成租務安排。於二零零四年十二月三十一日，本集團根據不可撤銷經營租賃就電腦設備與承租人訂立合約，於一年內到期而應收之租金為約114,000港元。

就以經營租賃方式持有之數碼電影編碼器及伺服器而言，租賃協議並無載有固定租賃期，因此，所收之最低租金總額並無於上文披露。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

**38. Capital Commitments**

During the year ended 31 December 2004, the Group entered into a co-production agreement with an independent third party, Gameone Online Entertainment Group Limited ("Gameone") for the formation of a joint venture company for the development and production of on-line video games for the PRC market. At 31 December 2004, the Group committed to invest approximately HK\$600,000 to subscribe for 60% equity interest in the joint venture company. During the year ended 31 December 2005, the Group entered into a cancellation agreement with Gameone to cancel the original co-production agreement. The Group has no commitment on investment in the joint venture company as at the year ended 31 December 2005.

At 31 December 2005, the Group had commitment for advertising expenditure of SGD100,000 (2004: SGD200,000) or equivalent to approximately HK\$470,000.

39. 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.

38. 資本承擔

於截至二零零四年十二月三十一日止年度，本集團與獨立第三方Gameone Online Entertainment Group Limited (「Gameone」) 為成立合營企業公司而訂立一份合作協議，以為中國市場開發及製作網上視頻遊戲。於二零零四年十二月三十一日，本集團作出投資約600,000港元，以取得合營企業公司60%股權。本集團於截至二零零五年十二月三十一日止年度內與Gameone訂立註銷合約，將原來之合作協議取銷。於截至二零零五年十二月三十一日本集團並沒有承諾投資到合營企業公司。

於二零零五年十二月三十一日，本集團承諾100,000新加坡元之廣告支出(二零零四年：200,000新加坡元)即約470,000港元。

39. 退休福利計劃

本集團須向香港及新加坡所有僱員均可參與之界定供款退休計劃作出供款。該計劃之資產由獨立管理基金管理並與本集團之資產分開持有。

根據中國政府有關規定，中國附屬公司須參與當地市政府之供款計劃，據此，附屬公司須為合資格僱員之退休福利計劃作出供款。中國當地市政府負責支付退休僱員之所有福利承擔。而本集團就該計劃所須承擔之唯一責任乃根據該計劃規定持續作出供款。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

**39. Retirement Benefits Scheme (continued)**

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 HK\$91,000 (2004: HK\$95,000) payable to the Retirement Schemes at 31 December 2005 are included in other payables and accrued charges. There was no forfeited contribution throughout the year (2004: Nil).

39. 退休福利計劃 (續)

退休福利成本指本集團向在香港、中國及新加坡設立之計劃(統稱「退休計劃」)已付及應付之供款總額。於二零零五年十二月三十一日，應向退休計劃支付之供款總額為91,000港元(二零零四年：95,000港元)已計入其他應付款項及應計費用內。於本年度內，本集團並無任何被沒收供款(二零零四年：無)。

40. Related Party Transactions

(A) During the year, the Company entered into the following transactions with related parties:

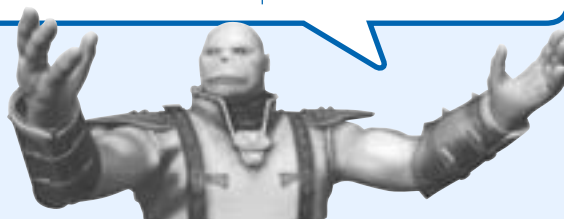
40. 有關連人士交易

(A) 於本年度內，本公司與關連人士訂有以下交易：

	Notes 附註	2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元
Rental expense paid to Ms. Lau Fung Sim, the spouse of Mr. Raymond Dennis Neoh, in respect of a director quarter	就一董事宿舍向梁定雄先生之配偶劉鳳嫻女士支付之租金開支 (a)	224	117
Rental expense paid to Mr. Anthony Francis Neoh in respect of a staff quarter	就一員工宿舍向梁定邦先生支付之租金開支 (a)	—	80
Rental expenses paid to Long Cosmos Investment Limited, a fellow subsidiary of the Group, in respect of an office premise	就一項辦公室物業向本集團同系附屬公司長亨投資有限公司支付之租金開支 (a)	410	—
Rental expense paid to Solutions Lab Pte. Ltd. in respect of an office premise	就一辦公室單位向Solutions Lab Pte. Ltd.支付之租金開支 (b)	—	8
Interest expenses paid to SCILCL, in respect of obligations under finance leases	就融資租賃責任支付予SCILCL (c)	51	—
Legal and professional fees paid to O'Melveny and Myers LLP ("O' Melveny")	支付予O'Melveny and Myers LLP ("O' Melveny")之法律及專業費用 (d)	—	430
Interest expenses paid to Mr. Anthony Francis Neoh	支付予梁定邦先生之利息費用 (e)	1,823	—

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

**40. Related Party Transactions (continued)**

Notes:

- (a) The transactions were carried out in accordance with the relevant tenancy agreements.
- (b) The transaction was carried out in accordance with the relevant tenancy agreement. Solutions Lab Pte. Ltd. is a related company of Cyber Prime Developments Limited, a shareholder of the Company.
- (c) The transactions was carried out in accordance with relevant lease agreements. The Group has entered into finance lease arrangements with SCILCL during the year in respect of computer equipment in the amount of approximately HK\$2,211,000. The relevant net book values of the computer equipment held under finance leases amounted to approximately HK\$2,040,000 as at 31 December 2005, as disclosed in note 14.
- (d) Mr. Stephen Scharf, a former non-executive Director of the Company, who had resigned on 16 February 2005, is a partner of O'Melveny, a law firm in the United States of America.
- (e) Mr. Anthony Francis Neoh, who is the shareholder of SCG.

40. 有關連人士交易 (續)

附註：

- (a) 該等交易乃根據相關租賃協議進行。
- (b) 該交易乃按相關租約執行。Solutions Lab Private Limited 為本公司股東 Cyber Prime Development Limited 之關連公司。
- (c) 該交易乃按相關租賃協議執行。年內，本集團跟 SCILCL 就金額約 2,211,000 港元之電腦設備訂立融資租賃安排。於二零零五年十二月三十一日，按融資租賃持有之電腦設備之相關賬面淨值金額約為 2,040,000 港元，已於附註 14 披露。
- (d) 已於二零零五年二月十六日辭職之本公司前非執行董事 Mr. Stephen Scharf 乃一家美國律師事務所 O'Melveny 之合夥人。
- (e) 梁定邦先生乃首長四方之股東。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

**40. Related Party Transactions** (continued)

In addition, on 15 January 2000, GDC Entertainment Limited, a subsidiary of the Company, entered into an assignment with Moebius Strip Limited (formerly known as Butterfly Dance Holdings Limited), in which Mr. Raymond Dennis Neoh was one of the shareholders, for the assignment of the copyright and all other rights in and to the Film. Pursuant to the assignment (which was supplemented by a supplemental agreement dated 2 May 2004), the assignment consideration consists of (i) US\$60,000; (ii) deferred net profit from the Group's film production of the Film up to a maximum of US\$240,000 should the Group's film production generates a net profit as defined in the assignment, and (iii) 3% of the net profit from the Group's production of the Film in excess of US\$240,000 from time to time. As at 31 December 2004, the intellectual property rights as referred to in (i) above of approximately HK\$467,000 (equivalent to US\$60,000) was paid and is included in production work in progress. The equity interest held by Mr. Raymond Dennis Neoh was sold to a third party during the year ended 31 December 2004.

40. 有關連人士交易 (續)

此外，於二零零零年一月十五日，GDC Entertainment Limited (本公司之附屬公司) 與 Moebius Strip Limited (前稱 Butterfly Dance Holdings Limited，梁定雄先生乃 Moebius Strip Limited 其中一位股東) 就轉讓電影之版權及所有其他權利而訂立一項轉讓書。根據該轉讓書 (已透過一份於二零零四年五月二日訂立之補充協議加以補充)，轉讓代價包括 (i) 60,000 美元；(ii) 倘本集團電影製作產生純利 (定義見該轉讓書)，則本集團來自製作該影片之遞延純利最多達 240,000 美元；及 (iii) 本集團製作該影片不時超過 240,000 美元純利之 3%。於二零零四年十二月三十一日，本集團已就上文 (i) 所述之知識產權支付約 467,000 港元 (相等於 60,000 美元)，該等費用均計入在製項目內。於截至二零零四年十二月三十一日止年度，梁定雄先生所持股權已售予第三方。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

**40. Related Party Transactions** (continued)**(B) Compensation of key management personnel**

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

		2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元
Short-term benefits	短期福利	6,422	4,247
Share-based payments	以股份為基礎之付款	1,338	891
		7,760	5,138

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

Details of balances with related parties as at the balance sheet date are set out in the consolidated balance sheet and in notes 25, 26, 27, 28, 29 and 30, and details of a counter-guarantee given by Mr. Raymond Dennis Neoh are set out in note 31.

40. 有關連人士交易 (續)**(B) 主要管理人員補償**

年內董事及其他主要管理人員之酬金如下：

	2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元
Short-term benefits	6,422	4,247
Share-based payments	1,338	891
	7,760	5,138

董事及主要行政人員之酬金乃由薪酬委員會按照個別人士之表現及市場走勢所釐訂。

於結算日，與有關連人士有關的款項乃載於綜合資產負債表及附註25、26、27、28、29及30內，而梁定雄先生所給予之反擔保之詳情則載於附註31。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註



41. Particulars of Subsidiaries

Details of the subsidiaries at 31 December 2005 are as follows:

41. 附屬公司之詳情

於二零零五年十二月三十一日，附屬公司之詳情如下：

Name of subsidiary 附屬公司名稱	Form of business structure 業務組成模式	Place of incorporation/ establishment 註冊成立/ 成立地點	Particulars of issued share capital/ paid up capital 已發行股本/ 繳足股本之詳情	Attributable equity interest of the Group 本集團 應佔股權		Principal activities and place of operation 主要業務及 經營地點
				directly 直接 %	indirectly 間接 %	
GDC (BVI) Limited	Incorporated	The British Virgin Islands (the "BVI")	521,418,075 ordinary shares of US\$0.01 each	100	—	Investment holding in Hong Kong
GDC (BVI) Limited	註冊成立	英屬處女群島 (「英屬處女群島」)	521,418,075股 每股面值0.01美元 之普通股	100	—	於香港投資控股
GDC Holdings Limited	Incorporated	The BVI	521,418,075 ordinary shares of US\$0.01 each	—	100	Investment holding in Hong Kong
GDC Holdings Limited	註冊成立	英屬處女群島	521,418,075股 每股面值0.01美元 之普通股	—	100	於香港投資控股
GDC Asset Management Limited	Incorporated	The BVI	1 ordinary share of US\$1	—	100	Investment holding in Hong Kong
GDC Asset Management Limited	註冊成立	英屬處女群島	1股每股面值1美元 之普通股	—	100	於香港投資控股
GDC Capital Limited	Incorporated	Hong Kong	2 ordinary shares of HK\$1 each	—	100	Dormant
環球數碼融資有限公司	註冊成立	香港	2股每股面值1港元 之普通股	—	100	暫無營業
GDC China Limited	Incorporated	Hong Kong	2 ordinary shares of HK\$1 each	—	100	Investment holding in Hong Kong
環球數碼中國有限公司	註冊成立	香港	2股每股面值1港元 之普通股	—	100	於香港投資控股

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註



41. Particulars of Subsidiaries (continued)

41. 附屬公司之詳情 (續)

Name of subsidiary 附屬公司名稱	Form of business structure 業務組成模式	Place of incorporation/ establishment 註冊成立／ 成立地點	Particulars of issued share capital/ paid up capital 已發行股本／ 繳足股本之詳情	Attributable		Principal activities and place of operation 主要業務及 經營地點
				equity interest		
				of the Group		
				本集團 應佔股權		
				directly	indirectly	
				直接	間接	
				%	%	
GDC Entertainment Limited ("GDC Entertainment")	Incorporated	The BVI	3,510 ordinary shares of US\$1 each	—	100	Animation investment, licensing and merchandising distribution in a worldwide basis
GDC Entertainment Limited ("GDC Entertainment")	註冊成立	英屬處女群島	3,510股每股面值1美元 之普通股	—	100	於全球進行動畫片之 投資、牌照及商品分銷
GDC International Limited	Incorporated	The Samoa	1 ordinary share of US\$1	—	100	Provision of computer graphic animation, creation and production services
GDC International Limited	註冊成立	薩摩亞群島	1股每股面值1美元 之普通股	—	100	提供電腦圖像、動畫創作 及製作服務
GDC Technology Limited	Incorporated	The BVI	1 ordinary share of US\$1	—	100	Provision of computing solutions for digital content distribution and exhibitions in a worldwide basis
GDC Technology Limited	註冊成立	英屬處女群島	1股每股面值1美元 之普通股	—	100	於全球為數碼內容發行 及展示提供電腦 解決方案
GDC Technology Pte. Ltd.	Incorporated	Singapore	2 ordinary shares of US\$1	—	100	Provision of computing solutions for digital content distribution and exhibitions in a worldwide basis
GDC Technology Pte. Ltd.	註冊成立	新加坡	2股每股面值1美元 之普通股	—	100	於全球為數碼內容發行及 展示提供電腦解決方案

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註



41. Particulars of Subsidiaries (continued)

41. 附屬公司之詳情 (續)

Name of subsidiary 附屬公司名稱	Form of business structure 業務組成模式	Place of incorporation/ establishment 註冊成立/ 成立地點	Particulars of issued share capital/ paid up capital 已發行股本/ 繳足股本之詳情	Attributable equity interest of the Group 本集團 應佔股權		Principal activities and place of operation 主要業務及 經營地點
				directly 直接	indirectly 間接	
				%	%	
環球數碼媒體科技(上海)有限公司 Institute of Digital Media Technology (Shanghai) Limited	Incorporated	The PRC	Registered capital of US\$140,000	—	100	Provision of computer graphics and animation training in the PRC
環球數碼媒體科技(上海)有限公司	註冊成立	中國	註冊股本140,000美元	—	100	於中國提供電腦圖像及 動畫製作培訓
環球數碼媒體科技研究 (深圳)有限公司 Institute of Digital Media Technology (Shenzhen) Limited	Incorporated	The PRC	Registered capital of US\$2,000,000	—	100	Provision of computer graphics and animation training, development of multimedia software and hardware, and provision of related technical consultancy services in the PRC
環球數碼媒體科技研究 (深圳)有限公司	註冊成立	中國	註冊股本 2,000,000美元	—	100	於中國提供電腦圖像及 動畫製作培訓、開發 多媒體軟及硬件及提供 相關技術諮詢服務

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

該等附屬公司於本年度內及於年終概無發行任何債券。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

**42. Litigation**

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

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

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

42. 訴訟

- (i) 於二零零三年五月十四日，本公司之全資附屬公司 GDC Entertainment 與 Westwood Audiovisual and Multimedia Consultants, Inc. (「WAMC」) 及本集團持有 25% 股權之 P&PM 就一套電視動畫單元劇訂立聯合製作協議 (「聯合製作協議」)。

自二零零四年十一月，P&PM 及 WAMC 就有關違反聯合製作協議而於法國 Court of Commerce of Angouleme (France) 向 GDC Entertainment 發出簡易程序判決書及彼等之經修訂索償書。

有關彼等之索償，該法律顧問重申其意見，認為 (i) 在任何情況下，將予遞交之簡易程序判決書將很難付諸執行或 P&PM 及 WAMC 最低限度須承擔沉重之訴訟費用及 (ii) 申索書須僅以 GDC Entertainment 之資產為限而執行。因此，董事會認為 P&PM 及 WAMC 對本集團之申索並無對本集團之財務構成重大影響，故認為無須為該項訴訟作出任何撥備。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

**42. Litigation (continued)**

(i) (continued)

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

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

42. 訴訟 (續)

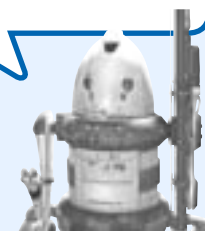
(i) (續)

然而，於二零零五年六月十六日，GDC Entertainment在香港透過發出仲裁通知書展開針對P&PM及WAMC之仲裁程序。在該宗仲裁中，GDC Entertainment將會就P&PM及／或WAMC是否觸犯不履約違反聯合製作協議提出多項爭議，若屬實則GDC Entertainment可終止有關合約並向P&PM及WAMC申索賠償。有關各方仍未就仲裁交換申訴答辯書。P&PM及WAMC已向仲裁人提交申請，要求就彼是否具司法管轄權對GDC Entertainment將提述之有關爭議進行聆訊之初步爭議作出裁定。聆訊申請已於二零零六年一月二十日進行。於本報告日期，仲裁人已發出決定，並斷定彼具有司法管轄權以決定GDC Entertainment之仲裁通知書中之爭議。

- (ii) 年內，上海法庭就一筆應付予上海新長寧(集團)有限公司為數人民幣9,262,000元之貸款，向環球數碼媒體科技研究(深圳)頒佈法令。環球數碼媒體科技研究(深圳)為數人民幣9,262,000元之資產已根據法令被凍結。於二零零六年三月一日，雙方訂立和解協議，環球數碼媒體科技研究(深圳)已於二零零五年十二月三十一日止年度後按議定之還款時間表償還人民幣3,000,000元。法庭已於二零零六年三月十四日頒佈法令取消該等爭議。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註



43. Summarised Balance Sheet of the Company

43. 本公司資產負債表摘要

		2005 二零零五年 HK\$'000 千港元	2004 二零零四年 (restated) (經重列) HK\$'000 千港元
Non-current assets	非流動資產		
Interests in subsidiaries	於附屬公司權益	—	—
Amounts due from subsidiaries	應收附屬公司款項	—	10,536
		—	10,536
Current assets	流動資產		
Prepayment, deposits and other receivable	預付款項、按金及 其他應收款項	5	731
Bank balances and cash	銀行結餘及現金	6	6
		11	737
Current liabilities	流動負債		
Other payables and accruals	其他應付款項及應計費用	3,001	1,992
Amount due to a fellow subsidiary	應付同系附屬公司款項	17,410	—
Amounts due to directors	應付董事款項	2,624	1,833
Amounts due to shareholders	應付股東款項	—	225
Amount due to a related party	應付關連人士款項	458	—
Loan from a fellow subsidiary	同系附屬公司貸款	43,983	—
Loan from a shareholder	股東貸款		
— due within one year	— 一年內到期	—	3,157
Loan from a related party	關連人士貸款	3,201	—
Other loans	其他貸款	300	11,143
		70,977	18,350
Net current liabilities	流動負債淨額	(70,966)	(17,613)
		(70,966)	(7,077)
Capital and reserves	股本及儲備		
Share capital	股本	8,008	8,008
Share premium and reserves	股份溢價及儲備	(78,974)	(15,085)
		(70,966)	(7,077)

FIVE YEARS FINANCIAL SUMMARY

五年財務摘要



Consolidated Results

綜合業績

For the year ended 31 December

截至十二月三十一日止年度

		2001 二零零一年 HK\$'000 千港元	2002 二零零二年 HK\$'000 千港元	2003 二零零三年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元 (restated) (經重列)	2005 二零零五年 HK\$'000 千港元
Revenue	收益	2,240	2,306	11,478	47,987	32,195
Loss from operations	經營虧損	(10,235)	(15,633)	(28,045)	(125,657)	(68,530)
Finance costs	融資成本	(82)	(1,796)	(5,255)	(5,545)	(7,675)
Loss before taxation	除稅前虧損	(10,317)	(17,429)	(33,300)	(131,202)	(76,205)
Income tax credit (expense)	所得稅抵免(開支)	—	—	151	(25)	(151)
Loss for the year	年度虧損	(10,317)	(17,429)	(33,149)	(131,227)	(76,356)

Consolidated Assets and Liabilities

綜合資產及負債

At 31 December

於十二月三十一日

		2001 二零零一年 HK\$'000 千港元	2002 二零零二年 HK\$'000 千港元	2003 二零零三年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
Total assets	總資產	45,029	81,929	146,003	69,060	34,319
Total liabilities	總負債	(17,751)	(76,502)	(77,561)	(122,621)	(162,531)
Net assets (liabilities)	資產淨值(負債淨額)	27,278	5,427	68,442	(53,561)	(128,212)

Note:

附註：

- The results for each of the two years ended 31 December 2002 which were extracted from the prospectus dated 23 July 2003 issued by the Company have been prepared as if the Company had always been the holding company of the Group from the beginning of the earliest period presented, using the merger method.
- Prior periods have been adjusted to reflect the changes in accounting policies as described in note 3A to the financial statements.

- 本公司已編製截至二零零二年十二月三十一日止兩個年度各年之業績(摘錄自本公司於二零零三年七月二十三日刊發之招股章程)，猶如本公司自使用合併法呈列業績之最早期間開始起一直為本集團之控股公司一樣。
- 前期數字已經作出調整以反映如財務報表附註3A所述之會計政策變動。

CORPORATE GOVERNANCE STATEMENT

企業管治聲明

**Board of Directors****Board Responsibilities and Composition**

The board of directors of the Company (the "Board") currently comprised Mr. Cao Zhong (Chairman and Non-Executive Director); Mr. Leung Shun Sang, Tony (Non-Executive Director); Mr. Chen Zheng (Chief Executive Officer and Executive Director); Mr. Jin Guo Ping and Dr. Catherine Xu Qing (Vice Presidents and Executive Directors); Dr. David Deng Wei (Vice-Chairman and Non-Executive Director); Mr. Gordon Kwong Che Keung, Mr. Bu Fan Xiao and Mr. Stephen Hui Hung (Independent Non-Executive Directors).

The Board is responsible for overseeing the successful management of the Group and devising the Group's future strategy. The Board delegates the management of the Group's day-to-day operations to carefully chosen Executive Directors and senior management personnel (the "Management"). The Management is also responsible for specific operations, preparing strategic directions, budgets and business plans for the Board's approval. The Board in its turn looks to the Management to ensure it is appraised of all significant developments that may affect the Company and its operations. All major acquisitions, disposals, investments, financing and other significant issues pertaining to the Company are all subject to the Board's approval.

The Board is currently made up of nine members, three of whom are Independent Non-executive Directors. The Board's size and composition reflects a comprehensive range of backgrounds and skill sets that have been deemed vital for the effective governance of a company involved in the business industry of the Group. The profiles of the Directors can be accessed by clicking on to <http://www.gdc-world.com>.

At the time of publication, the Board has three Independent Non-executive Directors. These Directors have been granted specific terms of one year, and all Non-executive Directors are appointed for specific terms of one year (except Dr. David Deng Wei) and are subject to the re-election provisions laid down in the Company's Bye-laws.

According to the Bye-laws of the Company, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three or a multiple of three, then the number nearest

董事會**董事會之職責及組成**

本公司董事會（「董事會」）目前之成員包括曹忠先生（主席兼非執行董事）；梁順生先生（非執行董事）；陳征先生（行政總裁兼執行董事）；金國平先生及徐清博士（副總裁兼執行董事）；鄧偉博士（副主席兼非執行董事）；鄭志強先生、卜凡孝先生及許洪先生（獨立非執行董事）。

董事會負責監督環球數碼之成功管理及規劃本公司之未來發展策略。董事會將環球數碼之日常運營工作移交細心挑選之執行董事及高級管理人員（「管理層」）。此外，管理層亦負責具體運營工作，如挑選策略董事、編製預算及業務計劃備董事會批准等。董事會倚賴管理層確保其評定所有重大發展，而該等重大發展或會對本公司及其業務造成影響。所有有關本公司之重大收購、罷免、投資、融資及其他重大問題均須經由董事會批准。

董事會目前由九名成員組成，包括三名獨立非執行董事。董事會之規模及組成反映廣泛之背景及技術領域，而該等因素對從事本集團業務行業之公司之有效管治至關重要。有關董事資料請訪問網站<http://www.gdc-world.com>。

於刊發時間，董事會成員包括三名獨立非執行董事。該等董事之任期均為一年，除鄧偉博士外所有非執行董事任期為一年。並可根據環球數碼公司細則釐定之條款膺選連任。

根據本公司之公司細則規定，在每屆股東週年大會上，當時之三分之一董事（或若其人數並非三或三之倍數，則以最接近三分之一之人數為準）

CORPORATE GOVERNANCE STATEMENT

企業管治聲明



one-third, shall retire from office by rotation, provided that no Director holding office as chairman or managing director shall be subject to retirement by rotation or be taken into account in determining the number of Directors to retire. To comply with the code provision, amendments to the Bye-laws of the Company will be proposed at the forthcoming annual general meeting of the Company for approval by the shareholders such that all Directors (including the chairman and the managing director) will be subject to retirement by rotation at least once every three years.

Directors are empowered with all sufficient resources as deemed necessary to carry out their duties to the best of their abilities. Directors also enjoy access to the advice and services of the Company Secretary, and are given full and timely access to all information relevant to the Group's operations. Directors may also seek independent professional advice at the Company's expense should the need arise.

The Company has taken out comprehensive Directors' and officers' liabilities insurance coverage for the Directors and officers of the Company and its subsidiaries. This covers their against costs, charges, expenses and liabilities incurred by them in their capacity as Directors or officers of the Company and its subsidiaries, subject to the provisions of the Companies Ordinance and other applicable legislation.

Each of the Board's Independent Non-executive Directors has provided the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with written confirmation in respect of the factors set out in the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") concerning his independence. After careful consideration, the Company has ruled that all three Independent Non-executive Directors are independent of and not connected with any of the Directors in question. In addition, the Company segregates the roles of the Chairman from the Chief Executive Officer. The Chairman provides leadership to the Board in terms of approving policies and strategies whereas the General Manager (re-designated as Chief Executive Officer on 16 February 2006) has overall responsibility for implementing the policies and strategies approved by the Board and monitoring the operations of the Group. There are no relationships between the Chairman and the Chief Executive Officer.

將輪流退任，惟擔任主席或董事總經理職位之董事毋須輪流退任，於計算須退任之董事人數時亦不會被計算在內。根據守則條款規定，修訂本公司之公司細則須於本公司之即將舉行之股東週年大會上提呈股東批准，而所有董事（包括主席及董事總經理）須最少每三年輪流退任一次。

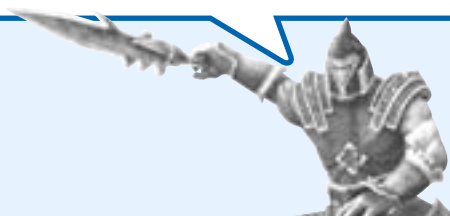
董事有權利用所有其認為必需之充足資源盡彼等所能履行其職責。此外，董事亦可獲取公司秘書之意見及服務，並可全面及適時地取得關於環球數碼業務的一切資料。董事還可就本公司之開支尋求獨立專業意見（如需要）。

本公司已為本公司及其附屬公司之董事及高級職員購買綜合董事及高級職員責任險。根據公司條例及其他適用規例規定，投保範圍涵蓋他們以本公司及其附屬公司之董事或高級職員之身份所產生之成本、費用、開支及責任。

董事會之三名獨立非執行董事均已就聯交所創業板證券上市規則（「創業板上市規則」）載列之關於董事獨立性之各項要求向本公司及香港聯合交易所有限公司（「聯交所」）遞交書面確認。經審慎考慮，本公司認為三名獨立非執行董事均具獨立性，且其中任何兩名董事之間並無存在任何家庭或重大或關聯關係。此外，環球數碼將主席與行政總裁之職責予以劃分。主席領導董事會批准政策及策略，而總經理（於二零零六年二月十六日轉任為行政總裁）則全面負責執行董事會批准之政策及策略及監控公司營運。主席與行政總裁並無關係。

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**Board Activities**

Action by the Board or its committees is taken at regularly held meetings, or at meetings held by conference call, or by written resolution. Regular Board meetings aimed at reviewing/considering the Group's performance, financial results and other relevant matters identified by the Directors are held on a quarterly basis. Additional meetings may also be organised as and when circumstances demand them.

During the year ended 31 December 2005, the Board met seven times. Individual attendance or participation by means of a conference telephone or other communication equipment of each Director at these meetings were as follows:

Director	董事	Number of meetings attended 出席會議次數	Attendance rate 出席率
Mr. Anthony Francis Neoh (Resigned on 30 December 2005)	梁定邦先生 於二零零五年十二月三十日辭任	7/7	100%
Mr. Cao Zhong (Appointed on 16 February 2005)	曹忠先生 於二零零五年二月十六日獲委任	3/7	43%
Mr. Chen Zheng (Appointed on 15 February 2005)	陳征先生 於二零零五年二月十五日獲委任	7/7	100%
Mr. Raymond Dennis Neoh (Resigned on 29 August 2005)	梁定雄先生 於二零零五年八月二十九日辭任	4/5	80%
Dr. David Deng Wei	鄧偉博士	0/7	0%
Mr. Gordon Kwong Che Keung	鄭志強先生	7/7	100%
Professor Japhet Sebastian Law	羅文鈺教授	7/7	100%
Mr. Bu Fan Xiao (Appointed on 30 May 2005)	卜凡孝先生 於二零零五年五月三十日獲委任	0/3	0%
Mr. Paul Kwan Yuen Chiu (Retired on 30 May 2005)	關遠釗先生 於二零零五年五月三十日退任	2/4	50%
Mr. Stephen Scharf (Resigned on 16 February 2005)	Stephen Scharf先生 於二零零五年二月十六日辭任	—	—
Mr. Leung Shun Sang, Tony (Appointed on 1 December 2005)	梁順生先生 於二零零五年十二月一日獲委任	—	—

The Board mainly established the following Committees which have been granted the clearly defined duties, powers and functions as below:

- (i) An Audit Committee;
- (ii) A Remuneration Committee; and
- (iii) A Nomination Committee.

董事會之活動

董事會或其委員會之活動透過定期召開會議或電話會議或透過書面同意進行。董事會會議於每季定時召開，旨在審閱／省覽環球數碼之表現、財務業績及董事釐定之其他相關事宜，並在有需要及適當時組織召開更多會議。

於截至二零零五年十二月三十一日止年度期間，董事會合共召開七次會議。親身出席或透過會議電話或其他通訊設備參與該等會議之各董事載列如下：

董事會主要設立以下委員會，並授予該等委員會明確界定之職責、權力及職能：

- (i) 審核委員會；
- (ii) 酬金委員會；及
- (iii) 提名委員會。

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**Audit Committee****Audit Committee Structure & Membership**

The Audit Committee was established with reference to "A Guide to the Formation of an Audit Committee" issued by The Hong Kong Society of Accountants (currently known as "The Hong Kong Institute of Certified Public Accountants"). The current members are Mr. Gordon Kwong Che Keung (Chairman), Mr. Bu Fan Xiao and Mr. Stephen Hui Hung all of whom are Independent Non-executive Directors. None of them is, or has previously been, a member of the Company's current or previous external auditor. The Audit Committee is chaired by Mr. Gordon Kwong Che Keung who possesses all necessary qualifications and practical experience.

Audit Committee Functions

The functions of the Audit Committee are as follows:

- (a) To consider the appointment, resignation and dismissal of the external auditor, and the determination of the audit fee;
- (b) To discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;

Review of financial information of the issuer

- (c) To monitor the integrity of the financial statements of the Company and the Company's annual report and accounts, half-year report and quarterly reports, and to review significant financial reporting judgements contained in them. In this regard, in reviewing the Company's annual report and accounts, half-year reports and quarterly reports before submission to the Board, the committee would focus particularly on:—
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from audit;
 - (iv) the going concern assumptions and any qualifications;

審核委員會**審核委員會之架構及成員**

審核委員會乃參照由香港會計師公會（現稱為「香港會計師公會」）發出之「成立審核委員會指引」成立。目前之成員包括鄭志強先生（主席）、卜凡孝先生及許洪先生，三人均為獨立非執行董事。彼等現時或以前並無擔任本公司目前或以前之外聘核數師。鄭志強先生擔任審核委員會之主席，彼擁有一切所需資格及實際經驗。

審核委員會之職能

審核委員會之職能載列如下：

- (a) 考慮委任外聘核數師、核數費用，以及處理辭職或被罷免的任何問題；
- (b) 在核數工作開始前與外聘核數師討論核數之性質及範圍，當委聘超過一間核數師事務所時，確保彼此之工作得到協調；

審閱發行人之財務資料

- (c) 監察本公司財務報表、年報及賬目、半年度報告及季度報告是否完整，並審閱上述報表及報告所載有關財務申報的重大判斷。就此而言，審核委員會在提交董事會前審閱本公司的年報及賬目、半年度報告和季度報告時，須特別針對下列事項：
 - (i) 會計政策及慣例之任何改變；
 - (ii) 涉及重要判斷之地方；
 - (iii) 因核數而出現之重大調整；
 - (iv) 企業持續經營之假設及任何保留意見；

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| <p>(v) compliance with accounting standards; and</p> <p>(vi) compliance with the GEM Listing Rules and other legal requirements in relation to financial reporting;</p> <p>In regard to (c) above:—</p> <p>(i) members of the committee must liaise with the Board, the Management and the person appointed as the Company's qualified accountant and the committee must meet, at least once a year, with the Company's auditors; and</p> <p>(ii) the committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the Company's qualified accountant, compliance officer or auditors;</p> <p>(d) To review and opine on connected transactions where required by GEM Listing Rules;</p> <p>(e) To discuss problems and reservations arising from the final audits, and any other matters the auditor may wish to discuss (in the absence of management where necessary);</p> <p>(f) To review the external auditor's management letter and management's response;</p> <p>(g) To review the Company's statement on internal control systems (where one is included in the annual report) prior to endorsement by the Board;</p> <p>(h) to review the internal audit programme, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company;</p> <p>(i) To consider the major findings of internal investigations and management's response; and</p> | <p>(v) 是否符合會計準則；及</p> <p>(vi) 是否符合創業版上市規則及其他有關財務申報之法律規定；</p> <p>就上文第(c)段而言：</p> <p>(i) 審核委員會成員須與董事會、管理層及獲委聘為本公司合資格會計師之人士聯絡，且審核委員會須至少每年一次與本公司之核數師開會；及</p> <p>(ii) 審核委員會須考慮於該等報告及賬目中載列或應載列之任何重大或不尋常事項，並須適當考慮任何由本公司合資格會計師、監察主任或核數師提出之事項；</p> <p>(d) 審閱創業板上市規則規定之關連交易，並就此提出意見；</p> <p>(e) 就年度核數所產生之問題及保留意見，以及核數師擬提出之任何事項進行討論（如有需要，管理層須避席）；</p> <p>(f) 審閱外聘核數師致管理層之函件及管理層作出之回應；</p> <p>(g) 在董事會批准前檢討本公司有關內部控制系統之聲明（其中一份載入年度報告）；</p> <p>(h) 檢討內部審核計劃，確保內部及外聘核數師之工作得到協調，以及內部審核功能在本公司內有足夠資源運作，並且有適當地位；</p> <p>(i) 就有關內部調查及管理層回應之主要結果進行研究；及</p> |
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On 10 November 2005, GDC adopted revised terms of reference of the Audit Committee in order to ensure its full compliance with the provisions of the code. The following duties are also included:

- (a) to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;
- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The audit committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (c) to develop and implement policy on the engagement of an external auditor to supply non-audit services. For this purpose, external auditor shall include any entity that is under the common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally. The audit committee should report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;
- (d) Oversight of the issuer's financial reporting system and internal control procedures
- (f) to review the issuer's financial controls, internal control and risk management systems;
- (g) to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system;
- (h) to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;

二零零五年十一月十日，環球數碼採納經修訂之審核委員會之職權範圍，以確保其完全符合守則之規定。新增之職責載列如下：

- (a) 主要負責向董事會提供有關委任、續聘或撤換外聘核數師之推薦建議、批准外聘核數師之酬金及聘任條款，以及處理有關外聘核數師辭職或被罷免之任何問題；
- (b) 根據適用會計準則檢討及監察外聘核數師是否獨立客觀及核數程序是否有效。審核委員會須在審核工作開始前與外聘核數師討論審核之性質及範圍以及申報責任；
- (c) 就外聘核數師提供非審核服務制定政策，並予以執行。就此而言，外聘核數師包括與核數師事務所處於同一控制權、所有權或管理權下之任何機構，或合理及知情之第三方在獲得所有相關資料後可合理斷定在當地或國際上屬於該核數師事務所一部份之任何機構。審核委員會須向董事會提出其認為需要採取行動或改善之事項，並建議應採取之措施；
- (d) 監察發行人之財務申報制度及內部控制程序
- (f) 檢討本公司之財務監控、內部控制及風險管理制度；
- (g) 與管理層討論內部控制系統，確保管理層已履行其職責，建立有效之內部控制系統；
- (h) 在董事會授權下或主動就有關內部控制事宜之主要調查結果及管理層之回應進行研究；

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- (i) where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function;
- (j) to review the group's financial and accounting policies and practices;
- (k) to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;
- (l) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (m) to report to the Board on the matters set out in the provisions of the Code; and
- (n) to consider other topics, as defined by the board.

Audit Committee Activities

During the year under review, the Audit Committee met four times. All members of the Audit Committee attended or participated by means of a conference telephone or other communication equipment at all four Audit Committee meetings in full.

The Audit Committee is entrusted with reviewing all GDC quarterly, interim and annual financial statements of the Company before their submission to the Board. The Company's Chief Financial Officer was invited to attend these meetings. The Audit Committee has reviewed the audited consolidated results of the Group for the year ended 31 December 2005 and the accounting principles and practices adopted by the Group. With the assistance of the external auditors or internal auditors in the near future, the Audit Committee will review the adequacy and effectiveness of the Company's internal control measures and subsequently made appropriate recommendations to the Board.

- (i) 倘設有內部核數師，則確保內部及外聘核數師之工作得到協調，以及內部審核功能在本公司內有足夠資源運作，並且有適當地位，並檢討及監察內部審核功能是否有效；
- (j) 檢討集團之財務及會計政策及慣例；
- (k) 審閱外聘核數師致管理層之函件、核數師就會計紀錄、財務賬目或監控系統向管理層提出之任何重大疑問及管理層作出之回應；
- (l) 確保董事會對外聘核數師致管理層之函件所提出之事宜作出及時回應；
- (m) 就本守則條款所載事項向董事會匯報；及
- (n) 審議由董事會界定之其他事項。

審核委員會之活動

於回顧年度內，審核委員會曾與外聘核數師舉行四次會議。審核委員會之成員均全體出席四次會議。

審核委員會負責在提交董事會前審閱環球數碼之所有季度、中期及年度財務報表。本公司之財務總監應邀出席上述會議。審核委員會已審閱本集團截至二零零五年十二月三十一日止年度之經審核綜合業績以及本集團所採納之會計原則與慣例。在外聘核數師或未來內部核數師之協助下，審核委員會亦將檢討本公司內部控制措施之充分性及有效性，並向董事會作出適當建議。

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The Company's directors are responsible for the preparation of the financial statements which give a true and fair view of the results of the Company. There are no matters of uncertainties and no different of view between the Audit Committee and the Board regarding the selection, appointment, resignation or dismissal of external auditors.

Relationship with External Auditors

The Audit Committee is charged with reviewing the external auditors' audit reports and ensuring that the Management makes timely responses to any and all issues raised therein. In order to ensure the full independence of the external auditors, the Audit Committee also reviews all non-audit related services provided by the external auditors. During the year ended 31 December 2005, the total fees paid and payable to the external auditors amounted to approximately HK\$1,459,000. This sum included approximately HK\$40,000 (approximately 2.7% of total fee) for taxation services and approximately HK\$376,000 (approximately 25.8% of total fee) for special audit.

Remuneration Committee

Remuneration Committee Structure & Membership

The Company had established a Remuneration Committee with specific terms of reference that specify its authority and duties.

The current members of the Remuneration Committee are Mr. Leung Shun Sang, Tony (Chairman) Mr. Cao Zhong (Vice-Chairman), Mr. Bu Fan Xiao, Mr. Gordon Kwong Che Keung and Mr. Stephen Hui Hung the majority of whom are Independent Non-executive Directors.

Remuneration Committee Functions

The Committee shall:

- Determine and agree with the Board the framework or broad policy for the remuneration of the company or group's chief executive, the chairman of the Company and such other members of the executive management as it is designated to consider. The remuneration of non-executive directors shall be a matter for the executive members of the Board. No director or manager shall be involved in any decisions as to his or her own remuneration;

本公司董事負責編製真實兼公平之財務報表，而核數師則負責對該等財務報表出具獨立意見。外聘核數師之推選、委任、辭任或罷免並無存在任何重大不明朗因素，而審核委員會亦無不同意見。

與外聘核數師之關係

審核委員會負責審閱外聘核數師編製之核數報告，並確保管理層適時地回應審核檢討報告中提出之任何及所有問題。為確保外聘核數師之完全獨立性，審核委員會亦負責審閱外聘核數師提供之所有非審核類服務項目。於截至二零零五年十二月三十一日止年度內，本集團已付及應付外聘核數師之費用合共約為1,459,000港元，其中包括稅務服務約40,000港元（佔總費用約2.7%）及特別審閱費用約376,000港元（佔總費用約25.8%）。

酬金委員會

酬金委員會之架構及成員

環球數碼已成立酬金委員會，並訂明載有其授權及職責之明確職權範圍。

目前，酬金委員會之成員包括梁順生先生（主席）、曹忠先生（副主席）、卜凡孝先生、鄺志強先生及許洪先生，彼等大部份為獨立非執行董事。

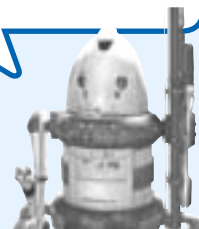
酬金委員會之職能

酬金委員會應：

- 與董事會釐定及協商有關制定本公司或本集團之主要行政人員、本公司之主席及該等執行管理層之其他成員酬金之體制或概要政策。非執行董事之酬金應由董事會執行董事予以釐定。任何董事及管理人員均不得參與釐定其酬金；

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- Have the delegated responsibility to determine the specific remuneration packages of all executive directors and senior management, including benefits in kind, pension rights and compensations payments, including any compensation payable for loss or termination of their office or appointment and make recommendations to the board of the remuneration of non-executive directors. The remuneration committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Company and desirability of performance-based remuneration;
- Review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
- Within the terms of the agreed policy, determine the total individual remuneration package of each executive manager including where appropriate, bonuses, incentive payments and share options;
- Determine such packages and arrangements, giving due regard to the recommendations of the Code on Corporate Governance Practices (Appendix 15 of the GEM Listing Rules);
- Review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;
- Review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate; and
- Oversee any major changes in employee benefit structures throughout the group.
- 獲委派釐定全體執行董事及高級管理人員之具體酬金待遇，包括實物利益、退休金權利及賠償金額（包括喪失或終止職務或委任而應付之賠償），並就非執行董事之酬金向董事會提供推薦建議。酬金委員會須考慮同類公司支付之薪金、董事付出之時間與所承擔之責任、本公司內其他職位之僱用情況，以及酬金方案之任何部分是否應按表現釐定等因素；
- 參照董事會不時通過之公司目標及宗旨，審議及批准按表現而釐定之酬金；
- 在協定之政策範圍之內，釐定每位執行管理人員之個別酬金總額，包括（如適當）花紅、獎金及股份期權；
- 釐定上述酬金及安排，並適當顧及企業管治常規守則（創業板上市規則附錄十五）之建議；
- 審議及批准向執行董事及高級管理人員支付有關喪失或終止職務或委任之賠償，以確保該等賠償按有關合約條款釐定，且在其他方面公平合理，不會對本公司造成過大開支；
- 審議及批准董事因為行為失當而遭解僱或罷免所涉及之賠償安排，以確保該等安排按有關合約條款釐定，且在其他方面合理恰當；
- 留意整個集團內僱員福利架構之任何重大變化。

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**Remuneration Committee Activities**

During the year under review, the Remuneration Committee met once to review and approve the remuneration of Directors of the Company in 2005. All members or his proxy had attended the meeting (except Mr. Bu Fan Xiao, who was not in Hong Kong at the time of meeting held). Emolument policy are disclosed in page 75 of Directors' Report.

Nomination Committee

The Company had established a Nomination Committee with specific terms of reference that specify its authorities and duties. The current members include Mr. Bu Fan Xiao (Chairman), Mr. Gordon Kwong Che Keung and Mr. Stephen Hui Hung all of whom are Independent Non-executive Directors.

Nomination Committee Guidelines

- Regularly review the structure, size and composition of the Board and make recommendations to the Board with regard to any adjustments that are deemed necessary;
- Be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise;
- Assess the independence of independent non-executive Directors; and
- Keep under review the leadership needs of the organization with a view to ensuring the continued ability to compete effectively in the organization's marketplace.

It shall also make recommendations to the Board:

- As regards plans for succession, in particular, of the Chairman and the Chief Executive and relevant matters relating to the appointment or re-appointment of Directors;
- For continuation (or not) in service of any director who has reached the age of 65;
- Concerning the re-election by shareholders of any director under the "retirement by rotation" provisions in the Company's Bye-laws; and

酬金委員會之活動

於回顧年度內，酬金委員會曾召開一次會議，以審閱及批准本公司董事於二零零五年之酬金。全體成員或其委任代表均有出席是次會議（惟卜凡孝先生除外，彼於召開會議時不在香港）。酬金政策於董事會報告第75頁內披露。

提名委員會

環球數碼已成立提名委員會，並訂明載有其授權及職責之明確職權範圍。目前之成員包括卜凡孝先生（主席）、鄭志強先生及許洪先生，彼等均為獨立非執行董事。

提名委員會之指引

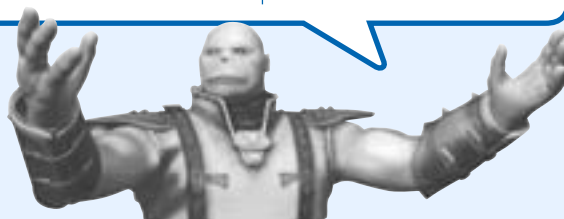
- 定期審閱董事會之架構、人數及組成，並就任何視為必要之調整向董事會作出建議；
- 當董事會出現空缺時，物色董事人選及向董事會作出提名以便董事會進行審批；
- 評估獨立非執行董事之獨立性；及
- 不時審閱機構內對領導層之需求，確保機構能持續保持有效之市場競爭能力。

此外，其亦須就以下事項向董事會作出建議：

- 繼任計劃（尤其是主席及行政總裁）及與董事委任或重新委任有關之事宜；
- 任何年屆65歲董事之繼續留任（或不再留任）事宜；
- 根據本公司之公司細則之「輪流退任」規定由股東重新選舉任何董事之事宜；及

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- Concerning any matters relating to the continuation in office of any Director at any time.

Nomination Committee Activities

During the year under review, the Nomination Committee met once. All members or his proxy had attended the meeting. The Nomination Committee proposed the appointment of Mr. Jin Guo Ping and Dr. Catherine Xu Qing to the Board with reference to their qualification and past experience and also reviewed the re-designation of Mr. Cao Zhong.

Codes of Conduct and Internal Control

Compliance with the Code of Best Practice as laid down in the GEM Listing Rules

The Company has complied with the Code on Corporate Governance Practices (the "Code") (with the exception of code provision C.2 on internal control which is effective for accounting periods commencing on or after 1 July 2005) as set out in Appendix 15 of the GEM Listing Rules during the year ended 31 December 2005 and the Company has applied the Code as the general guiding principle in corporate governance, except for the following deviations:

- Under code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term and subject to re-election.

Not all non-executive Directors were appointed for a specific term. However, both of them are subject to retirement by rotation and re-election at annual general meetings in accordance with the provisions of the bye-laws of the Company. Service contracts will be signed with those non-executive Directors.

- Under the second part of code provision A.4.2 of the Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to the Bye-laws of the Company, at each annual general meeting, one-third of the Directors for the time being, or their number is not three or a multiple of three,

- 有關於任何時間任何董事是否繼續擔任董事之任何事宜。

提名委員會之活動

於回顧年度內，提名委員會曾召開一次會議。全體成員或其委任代表均有出席是次會議。在會議上，提名委員會參照資歷及過往經驗提議委任金國平先生及徐清博士進入董事會，並就曹忠先生之辭任作出審閱。

操守準則及內部控制

遵守創業板上市規則之最佳應用守則

除將於二零零五年七月一日或之後開始之會計期間生效有關內部控制之第C.2條守則條文外，本公司於截至二零零五年十二月三十一日止年度內已遵守創業板上市規則附錄十五所載之企業管治常規守則（「守則」），惟有以下偏離：

- 根據守則第A.4.1條之守則條文，非執行董事之委任應有指定任期，並須接受重新選舉。

並非所有非執行董事按指定任期委任。然而，根據本公司之公司細則，非執行董事須依章於股東週年大會上輪值告退及膺選連任。本公司將與該等非執行董事簽訂服務合約。

- 根據守則第A.4.2條之第二部份守則條文，每名董事（包括有指定任期之董事）須輪流退任，至少每三年一次。

根據本公司之公司細則，三分之一在職董事（或董事數目並非三或三之倍數，則取其接近三分之一者）須於每屆股東週年大

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then the number nearest one-third, shall retire from office by rotation, provided that no Director holding office as chairman or managing director shall be subject to retirement by rotation or be taken into account in determining the number of Directors to retire. To comply with the code provision, amendment to the Bye-laws of the Company will be proposed at the next general meeting of the Company for approval by the shareholders such that all directors (including chairman and managing director) will be subject to retirement by rotation at least once every three years.

- Under code provision B.1.1 of the Code, listed issuers should establish a remuneration committee with specific written terms of reference. A majority of the members of the remuneration committee should be independent non-executive directors.

The remuneration committee consists of three members, only one the of whom is independent non-executive Director during the year ended 31 December 2005. Two Independent Non-executive Directors were appointed as members of remuneration committee so as to comply with the Code.

Code of Conduct Regarding Securities Transactions by Directors

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry, all directors of the Company have complied with the required standard of dealings and the code of conduct regarding directors' securities transactions adopted by the Company during the year ended 31 December 2005.

Internal Codes of Conduct

The Company has always done everything in its power to ensure and promote integrity and ethical behaviour at all time and in all areas of its operations. To this end, the Group has laid down a series of stringent codes of conduct governing potential conflicts of interests, declaration of interests, anti-corruption practices and data

會上輪流退任，惟擔任主席或董事總經理職務之董事將不須輪流退任，於計算退任董事人數時，亦不被計入考慮人數之內。為遵守守則條文，董事會將於下一次本公司股東大會上提呈建議，就修訂本公司細則尋求股東批准，促使本公司所有董事（包括主席及董事總經理）均須至少每三年輪流退任一次。

- 根據守則第B.1.1條之守則條文，上市發行人須設立具有特定成文職權範圍之酬金委員會。酬金委員會之大部份成員須為獨立非執行董事。

於截至二零零五年十二月三十一日止年度，酬金委員會由三名成員組成，其中僅有一名為獨立非執行董事。為遵守守則，兩名獨立非執行董事被委任為酬金委員會成員。

董事進行證券交易之操守準則

本公司已採納有關董事進行證券交易之操守準則，其條款不會較創業板上市規則第5.48至5.67條所列載規定標準寬鬆。經作出特定查詢後，於截至二零零五年十二月三十一日止年度內，本公司全體董事一直遵守規定之交易準則及本公司所採納有關董事進行證券交易之操守準則。

內部操守準則

環球數碼始終盡其所能時刻確保及提升其所有業務領域之道德操守。為此，本集團已制定一系列嚴格之操守準則，以規管潛在利益衝突、利益申報、反貪污常規及資料私隱等。所有環球數碼之成員（包括其僱員、高級職員及董事）均須時刻完

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privacy, etc. All members of the Company, including its employees, officers and Directors, are required to fully comply with these codes of conduct at all times. Such codes are subject to regular reviews and updates in order to ensure their continued compliance in line with changing circumstances and regulations.

Internal Control

The Board acknowledges its responsibility for maintaining a sound and effective internal control system to safeguard the shareholders' investment and the Group's assets. It has delegated the key controls to different parties: the Management has the responsibility to maintain an effective and efficient operation and reports to the Board regularly; the company secretarial department has the responsibility for compliance with the GEM Listing Rules, Securities and Futures Ordinance and other applicable regulations; and through working with the external auditors and Audit Committee, the accounting department has to ensure the reliability of financial reporting of the Group.

The Board will also update the internal control system of the Group regularly to respond to changes in its business and the external environment.

Besides, in order to comply with the code provision C.2 on internal control of the Code which is effective for accounting periods commencing on or after 1 July 2005, an internal audit function was just set up to conduct an annual review of the effectiveness of the internal control system of the Group for the year ending 31 December 2006.

Communications with Shareholders

Annual General Meeting

The Company has always believed in nurturing a close and open relationship with its shareholders. Each year, the Company's AGM provides a forum at which the Company's Board and shareholders can come together to exchange opinions and ideas. At the AGM, shareholders are invited to direct questions to the Board. Those who are available to answer such questions include not only the Chairman of the Board, but also the Chairman of the respective Committees, or in their absence, members of the Committees.

全遵守該等操守準則。該等準則須定期予以檢討及修訂，以確保其持續符合不斷變化之情況及規例。

內部控制

董事會明白其有責任維持內部控制系統穩健妥善而且有效，以令股東之投資及本集團之資產獲得保障。董事會已將主要監控轉交予不同各方：本集團管理層負責維持業務有效及高效及定期向董事會報告；本公司秘書處負責遵守創業板上市規則、證券及期貨條例及其他適用規例；而會計部則與外聘核數師及審核委員會合作，以確保本集團財務報告之可靠性。

董事會亦將定期修訂本集團之內部控制系統，以對其業務及外部環境之變化作出回應。

此外，為遵守將於二零零五年七月一日或之後開始之會計期間生效有關企業管治常規守則內部控制之第C.2條守則條文，設立內部審核制度以對本集團截至二零零六年十二月三十一日止年度之內部控制系統之效力進行年度審核。

與股東之溝通

股東週年大會

公司一向注重與其股東培養緊密及開放之關係。本公司每年均召開股東週年大會，為本公司之董事會及股東提供一個交流意見及思想之平台。在股東週年大會上，股東應邀向董事會直接提問。有資格回答提問之人士不僅包括董事會主席，亦包括各委員會之主席（若彼等缺席，則為委員會之成員）。

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The Company's AGM took place on 30 May 2005. All resolutions taken at the AGM were voted on by hand. Substantially separate issues such as the election of a director at an AGM are dealt with by the proposal of a separate resolution by the Chairman of that particular meeting.

Details of all polls, the voting procedures and shareholders' right to demand a poll, are included in the Company's circulars to shareholders.

Investor Relations

The Company continues to go to great lengths to ensure that its dissemination of details of major activities, price sensitive information and transactions is fully compliant with the GEM Listing Rules. To ensure compliance, the Company has detailed a series of procedures which must be used in communication with analysts and the media. These measures were developed to ensure full compliance with the Stock Exchange's guidelines regarding the disclosure of price-sensitive information. The Company has also carefully selected certain of its Officers to act as its representatives when liaising with analysts and the media.

The Company remains determined to further enhance the transparency of its operations by making full use of all appropriate communication channels when sharing information with third parties. During the year ended 31 December 2005, specific activities undertaken in this area included the publishing of news via press releases and formal announcements, the issuing of quarterly, interim and annual reports. All of this information is freely accessible to anyone with an internet connection at <http://www.gdc-world.com>.

Shareholders and interested members of the public are welcome to communicate directly with the Company by sending correspondence marked "for the attention of the Company Secretary" to the Company's registered office address, or via its designated investor relations e-mail account at info@gdc-world.com.

公司於二零零五年五月三十日召開股東週年大會。股東週年大會上之所有決議案均以舉手表決方式通過。個別特別重大之問題（如在股東週年大會上推選董事）則由當屆大會主席另外提議處理。

所有投票細節、表決程序及股東要求投票之權利均載於本公司寄予股東之通函中。

投資者關係

公司繼續不遺餘力地確保重大活動詳情、股價敏感資料及交易之披露完全遵守創業板上市規則。為此，本公司已詳細訂明與分析員及媒體溝通時必須使用之程序。制訂該等措施乃為確保完全遵守聯交所有關披露股價敏感資料之指引。此外，本公司亦已小心挑選若干高級職員作為本公司代表與分析員及媒體聯絡。

本公司仍致力進一步提升其業務之透明度，在向第三方披露信息時利用所有適當之溝通渠道。於截至二零零五年十二月三十一日止年度內，於該領域進行之具體活動包括透過新聞發佈會及正式公告公佈有關信息，以及發佈季度、中期及年度報告。任何人均可透過互聯網隨時獲取該等所有資料，網址為 <http://www.gdc-world.com>。

歡迎股東及有興趣之公眾人士直接與本公司聯繫，來信請註明「公司秘書收」，然後寄至本公司之註冊辦事處地址，或透過指定投資者關係電子郵件發送郵件，電郵地址為 info@gdc-world.com。



TO BE A

LEADER

IN ASIA