環球數碼創意控股有限公司*

GLOBAL DIGITAL CREATIONS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 8271)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

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

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

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This announcement, for which the directors (the "Directors") of 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: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

FINAL RESULTS

The board of Directors of the Company (the "Board") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008 with comparative figures for the year ended 31 December 2007.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	NOTES	**2008** **HK$'000**	2007 *HK$'000*
Revenue	*3 & 4*	**120,180**	246,125
Cost of sales		**(106,042)**	(165,544)
Gross profit		**14,138**	80,581
Other income	*5*	**3,066**	14,413
Distribution costs and selling expenses		**(9,035)**	(7,720)
Administrative expenses		**(60,073)**	(99,878)
Changes in fair value of held-for-trading investments		**(939)**	–
Finance costs	*6*	**(2,428)**	(4,002)
Share of loss of an associate		**(857)**	(298)
Other expense	*7*	**(22,202)**	–
Discount on acquisition of additional interest in a subsidiary		**–**	1,342
Gain on dilution of interest in a subsidiary		**–**	40,130
(Loss) profit before tax		**(78,330)**	24,568
Income tax credit (expense)	*8*	**2,183**	(3,099)
(Loss) profit for the year	*9*	**(76,147)**	21,469
Attributable to:			
Equity holders of the Company		**(71,688)**	18,302
Minority interests		**(4,459)**	3,167
		(76,147)	21,469
		HK cents	*HK cents*
(Loss) earnings per share	*10*		
Basic		**(5.53)**	1.62
Diluted		**N/A**	1.57

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	NOTES	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	*11*	**28,265**	14,780
Intangible asset	*12*	**244,111**	221,545
Available-for-sale investment		**–**	–
Prepaid lease payments	*13*	**5,924**	5,612
Interest in an associate	*14*	**21,856**	424
Advance	*22(a)*	**68,182**	–
Pledged bank deposit		**665**	–
Advance paid for acquisition of intangible asset		**–**	35,581
		369,003	277,942
Current assets			
Inventories	*15*	**15,682**	6,761
Production work in progress		**–**	–
Amounts due from customers for contract work	*16*	**16,935**	1,494
Trade receivables	*17*	**7,375**	11,502
Prepayments, deposits and other receivables		**13,436**	11,434
Prepaid lease payments	*13*	**125**	114
Amount due from an associate		**–**	1,053
Held-for-trading investments		**1,539**	–
Pledged bank deposit		**2,808**	7,800
Bank balances and cash		**72,155**	210,377
		130,055	250,535
Current liabilities			
Income received in advance		**26,792**	10,189
Amounts due to customers for contract work	*16*	**1,763**	1,440
Trade payables	*18*	**6,874**	4,197
Other payables and accruals		**26,622**	18,596
Amounts due to fellow subsidiaries		**13,315**	2,553
Amounts due to directors		**–**	2,912
Amounts due to other related parties		**–**	877
Tax liabilities		**967**	3,099
Loan from a fellow subsidiary – due within one year		**30,000**	35,000
Obligations under finance leases		**–**	525
Secured bank borrowing – due within one year	*19*	**14,773**	13,898
		121,106	93,286
Net current assets		**8,949**	157,249
Net assets		**377,952**	435,191
Capital and reserves			
Share capital	*20*	**12,952**	12,952
Share premium and reserves		**292,079**	345,084
Equity attributable to equity holders of the Company		**305,031**	358,036
Share options reserve of a subsidiary		**15,838**	15,988
Minority interests		**57,083**	61,167
Total equity		**377,952**	435,191

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	Attributable to equity holders of the Company												
	Share capital HK$'000	Share premium account HK$'000	Capital contribution reserve HK$'000	Contributed surplus HK$'000	Statutory reserve HK$'000	Share options reserve HK$'000	Exchange reserve HK$'000	Special reserve HK$'000	Accumulated (losses) profits HK$'000	Total HK$'000	Share options reserve of a subsidiary HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2007	8,008	92,438	445	40,271	680	5,590	(2,205)	–	(300,253)	(155,026)	317	–	(154,709)
Exchange differences on translation of foreign operations recognised directly in equity	–	–	–	–	–	–	5,271	–	–	5,271	–	22	5,293
Profit for the year	–	–	–	–	–	–	–	–	18,302	18,302	–	3,167	21,469
Total recognised income for the year	–	–	–	–	–	–	5,271	–	18,302	23,573	–	3,189	26,762
Sub-total	8,008	92,438	445	40,271	680	5,590	3,066	–	(281,951)	(131,453)	317	3,189	(127,947)
Shares issued	4,320	479,624	–	–	–	–	–	–	–	483,944	–	–	483,944
Transaction costs attributable to issue of shares	–	(12,740)	–	–	–	–	–	–	–	(12,740)	–	–	(12,740)
Increase in minority share in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	9,940	9,940
Exercise of share options	624	30,348	–	–	–	(7,817)	–	–	–	23,155	–	–	23,155
Exercise of share options of a subsidiary	–	–	–	–	–	–	–	–	–	–	(235)	3,014	2,779
Recognition of equity-settled share-based payments	–	–	–	–	–	41,488	–	–	–	41,488	15,914	–	57,402
Cancellation of share options granted by a subsidiary	–	–	–	–	–	–	–	–	8	8	(8)	–	–
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	(46,366)	–	(46,366)	–	45,024	(1,342)
At 31 December 2007 and 1 January 2008	**12,952**	**589,670**	**445**	**40,271**	**680**	**39,261**	**3,066**	**(46,366)**	**(281,943)**	**358,036**	**15,988**	**61,167**	**435,191**
Exchange differences on translation of foreign operations recognised directly in equity	**–**	**–**	**–**	**–**	**–**	**–**	**18,533**	**–**	**–**	**18,533**	**–**	**375**	**18,908**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(71,688)**	**(71,688)**	**–**	**(4,459)**	**(76,147)**
Total recognised income (expense) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**18,533**	**–**	**(71,688)**	**(53,155)**	**–**	**(4,084)**	**(57,239)**
Sub-total	**12,952**	**589,670**	**445**	**40,271**	**680**	**39,261**	**21,599**	**(46,366)**	**(353,631)**	**304,881**	**15,988**	**57,083**	**377,952**
Reduction of share premium account *(Note)*	**–**	**(589,670)**	**–**	**589,670**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Elimination of accumulated losses *(Note)*	**–**	**–**	**–**	**(384,060)**	**–**	**–**	**–**	**–**	**384,060**	**–**	**–**	**–**	**–**
Cancellation of share options granted	**–**	**–**	**–**	**–**	**–**	**(496)**	**–**	**–**	**496**	**–**	**–**	**–**	**–**
Cancellation of share options granted by a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**150**	**150**	**(150)**	**–**	**–**
At 31 December 2008	**12,952**	**–**	**445**	**245,881**	**680**	**38,765**	**21,599**	**(46,366)**	**31,075**	**305,031**	**15,838**	**57,083**	**377,952**

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

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	2008	2007
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
(Loss) profit before tax	**(78,330)**	24,568
Adjustments for:		
Amortisation of intangible asset	**28,491**	–
Share-based payment expense	**–**	57,402
Depreciation	**4,865**	1,088
Allowance for bad and doubtful debts	**386**	230
Allowance for inventories	**1,031**	–
Amortisation of prepaid lease payments	**125**	68
Loss (gain) on disposal of property, plant and equipment	**11**	(20)
Changes in fair value of held-for-trading investments	**939**	–
Finance costs	**2,428**	4,002
Share of loss of an associate	**857**	298
Interest income	**(2,237)**	(6,252)
Gain on disposal of intangible asset	**(104)**	–
Gain on dilution of interest in a subsidiary	**–**	(40,130)
Discount on acquisition of additional interest in a subsidiary	**–**	(1,342)
Operating cashflow before movements in working capital	**(41,538)**	39,912
Increase in inventories	**(9,952)**	(4,292)
(Increase) decrease in amounts due from customers for contract work	**(13,549)**	168
Decrease (increase) in trade receivables	**3,827**	(138,328)
Increase in prepayments, deposits and other receivables	**(2,002)**	(7,754)
Increase in held-for-trading investments	**(2,478)**	–
Increase in income received in advance	**16,813**	3,733
Increase in amounts due to customers for contract work	**338**	227
Increase in trade payables	**2,677**	1,359
Increase (decrease) in other payables and accruals	**7,906**	(11,340)
Decrease in amounts due to fellow subsidiaries	**(4,141)**	(540)
(Decrease) increase in amounts due to directors	**(2,912)**	604
NET CASH USED IN OPERATING ACTIVITIES	**(45,011)**	(116,251)
INVESTING ACTIVITIES		
Advance to a third party	**(68,182)**	–
Investment in an associate	**(21,084)**	(722)
Purchase of property, plant and equipment	**(20,130)**	(12,762)
Acquisition of intangible asset	**(548)**	(88,633)
Prepaid lease payments	**(87)**	(5,794)
Advance paid for acquisition of intangible asset	**–**	(35,581)
Decrease (increase) in pledged bank deposits	**4,327**	(7,800)
Interest received	**2,237**	6,252
Proceeds from disposal of intangible asset	**1,250**	–
Repayment from (advance to) an associate	**1,053**	(1,053)
Proceeds from disposal of property, plant and equipment	**–**	20
NET CASH USED IN INVESTING ACTIVITIES	**(101,164)**	(146,073)

	2008	2007
	HK$'000	*HK$'000*
FINANCING ACTIVITIES		
New bank loan raised	**14,773**	13,898
Advance received from a fellow subsidiary	**13,600**	–
Proceeds from issue of shares, net of transaction costs	**–**	471,204
Proceeds from issue of shares of a subsidiary to a minority shareholder, net of transaction costs	**–**	50,235
Exercise of share options	**–**	23,155
Exercise of share options in a subsidiary	**–**	2,614
Net repayment of loan from a fellow subsidiary	**(5,000)**	(66,360)
Repayment of advance from other related parties	**(908)**	(2,440)
Repayment of bank loan	**(13,898)**	(10,000)
Interest paid	**(1,094)**	(3,850)
Repayment of obligations under finance leases	**(525)**	(1,448)
Repayment to shareholders	**–**	(339)
Repayment of other loans	**–**	(18,295)
NET CASH FROM FINANCING ACTIVITIES	**6,948**	458,374
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(139,227)**	196,050
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**210,377**	8,596
Effect Of Foreign Exchange Rate Changes	**1,005**	5,731
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**72,155**	210,377

NOTES:

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

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

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

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

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

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

[1] Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

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

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

[4] Effective for annual periods beginning on or after 1 July 2008

[5] Effective for annual periods beginning on or after 1 October 2008

[6] Effective for transfers on or after 1 July 2009

The application of HKFRS 3 (Revised) may affect the accounting for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. The Directors anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

2. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

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

Estimated impairment of intangible asset

At 31 December 2008, the carrying amount of intangible asset was approximately HK$244,111,000 (2007: HK$221,545,000). In determining whether there is objective evidence of impairment loss, the Directors take into consideration the estimation of future cash flows to be generated from use of the intangible asset and fair value of the intangible asset less cost to sell. The amount of the impairment loss is measured as the difference between the asset's carrying amount and higher of the present value of estimated future cash flows discounted at a suitable discount rate or the fair value less cost to sell. Where the actual future cash flows or the net selling price are less than expected, an impairment loss may arise.

During the year ended 31 December 2008 and 2007, the Directors did not identify any impairment loss on the intangible asset.

Provision for litigation

The management of the Group monitor any litigation against the Group closely. Provision for the litigation is made based on the opinion of the legal adviser on the possible outcome and liability of the Group. As at 31 December 2008 and 2007, there is no foreseeable financial impact to the Group and no provision for litigation has been made. Details are set out in note 23.

3. REVENUE

Revenue represents the amounts received and receivable for goods sold by the Group to outside customers (less sales related taxes, returns and trade discounts), computer graphic ("CG") creation and production services, revenue arising on training fee, royalty income from share of box office receipts, receipts from exhibition of digital motion pictures, technical service income and rental income from equipment leasing during the year, is as follows:

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

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

4. SEGMENT INFORMATION

(a) Business segments

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

Segment information about these businesses is presented below:

For the year ended 31 December 2008

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

At 31 December 2008

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

For the year ended 31 December 2007

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

At 31 December 2007

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

(b) **Geographical segments**

The Group's three business segments operate in four main geographical areas, namely the People's Republic of China (the "PRC", for the purpose of this announcement, does not include Hong Kong, Macau and Taiwan), the United States, Europe and other regions. The head office of the Group is located in Hong Kong. The Group's CG creation and production centres and the CG training facilities are located in the PRC. Customers of the Group's digital content distribution and exhibitions business are mainly located in the PRC, the United States and other regions.

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

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

5. OTHER INCOME

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

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

6. FINANCE COSTS

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

7. OTHER EXPENSE

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

8. INCOME TAX CREDIT (EXPENSE)

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

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

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

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

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

9. (LOSS) PROFIT FOR THE YEAR

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

10. (LOSS) EARNINGS PER SHARE

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

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

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

No diluted loss per share has been calculated for the year ended 31 December 2008 as the exercise of the share options could result in a decrease in the loss per share.

11. PROPERTY, PLANT AND EQUIPMENT

	Carrying values
	HK$'000
At 1 January 2008	14,780
Exchange realignment	703
Additions	20,130
Disposals	(11)
Depreciation	(7,337)
At 31 December 2008	28,265

12. INTANGIBLE ASSET

	Carrying value *HK$'000*
At 1 January 2008	221,545
Exchange realignment	13,834
Acquisition	38,369
Disposal	(1,146)
Amortisation	(28,491)
At 31 December 2008	244,111

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

On 9 January 2009, the Group conditionally agreed to dispose the intangible asset to CFGC for a consideration of RMB223,791,600 (equivalent to approximately HK$254,227,000). Details of which are set out in note 22(b).

13. PREPAID LEASE PAYMENTS

	2008 ***HK$'000***	2007 *HK$'000*
CARRYING VALUE		
At 1 January	**5,726**	–
Exchange realignment	**361**	–
Addition	**87**	5,794
Amortisation	**(125)**	(68)
At 31 December	**6,049**	5,726

The Group's prepaid lease payments comprise:

	2008 ***HK$'000***	2007 *HK$'000*
Medium-term leasehold land in the PRC	**6,049**	5,726

Analysed for reporting purposes as:

	2008 ***HK$'000***	2007 *HK$'000*
Current asset	**125**	114
Non-current asset	**5,924**	5,612
	6,049	5,726

14. INTEREST IN AN ASSOCIATE

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

As at 31 December 2008 and 2007, the Group had interest in the following associate:

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

15. INVENTORIES

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

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

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

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

17. TRADE RECEIVABLES

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

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

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

18. TRADE PAYABLES

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

	2008	2007
	HK$'000	*HK$'000*
Within three months	**5,325**	3,853
Three to six months	**76**	344
Over six months	**1,473**	–
	6,874	4,197

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

19. SECURED BANK BORROWING

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

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

20. SHARE CAPITAL

	Number of shares	Share capital
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2007	1,200,000,000	12,000
Increase during the year	1,200,000,000	12,000
At 31 December 2007 and 2008	2,400,000,000	24,000
Issued and fully paid:		
At 1 January 2007	800,820,000	8,008
Issue of shares	432,000,000	4,320
Exercise of share options	62,425,540	624
At 31 December 2007 and 2008	1,295,245,540	12,952

21. CAPITAL COMMITMENTS

	2008	2007
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provide in the consolidated financial statements in respect of:		
Acquisition of property, plant and equipment and intangible asset	**8,350**	2,928
Investment in an associate	**–**	20,954
	8,350	23,882

22. POST BALANCE SHEET EVENTS

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

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

   (i) GDC Holdings agreed to, and/or procure its designated companies to, make available to the Borrower and/or its designated companies a loan facility in the maximum principal amount of RMB100,000,000 (equivalent to approximately HK$113,600,000) for the purposes of satisfying the obligations of 廣州市影逸廣告有限公司 ("Guangzhou Yingyi"), a company established under the laws of the PRC and is indirectly owned as to 80% by the Borrower, under the agreement entered into between Guangzhou Yingyi and 廣東珠江電影文化發展有限公司 in December 2008, pursuant to which Guangzhou Yingyi will be the sole advertising agent for the television channel of Guangdong Television Station for a 20-year period commencing from 1 July 2009 and as working capital of Guangzhou Yingyi. The loan, which carries interest at 6% per annum and matures on 30 June 2012, is secured by a charge in favour of GDC Holdings and/or its designated companies in respect of each of (i), the entire issued capital of the Borrower; (ii) the entire equity interest in 寧波影逸信息技術有限公司, which is a wholly-owned subsidiary of the Borrower established under the laws of the PRC; (iii) 80% of the equity interest of Guangzhou Yingyi; and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

23. LITIGATION

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

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

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

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

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

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

FINAL DIVIDEND

The Board does not recommend the payment of any dividend in respect of the year (2007: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

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

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

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

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

Other income for the year ended 31 December 2008 amounted to approximately HK$3,066,000 (2007: HK$14,413,000), representing a decrease of approximately 79%. The decrease was mainly due to the amount for the year 2007 included an one-off income upon waiver of interest payable on other loan and rental payable amounted to approximately HK$4,156,000 and HK$3,228,000, respectively, and decrease in interest income by approximately HK$4,015,000 during the year.

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

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

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

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

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

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

BUSINESS REVIEW AND OUTLOOK

Digital content distribution and exhibitions

Excluding the sales of digital cinema equipment for the PRC Digital Cinema Project in exchange for intangible asset for the year 2007 of HK$132,912,000, revenue from digital content distribution and exhibitions division achieved approximately HK$60,194,000, represented an increase of approximately 18%. This increase was mainly due to orders received for digital 3D cinema equipment during the year from exhibitors in the PRC and rest of Asia for the screening of a Hollywood 3D blockbuster, "Journey to the Center of the Earth". Besides, at least ten 3D titles are planned for release in the year 2009, the demand for digital 3D cinema equipment would continue to increase.

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

In anticipation of the imminent digital cinema transition in the United States, the Group signed with the two largest cinema service providers to expand its servicing network throughout the United States. Both of the service providers are industry heavy weight and their support will go a long way to help the Group build a trusted servicing network for its customers in the United States. The Group has also been awarded authorised vendor status by Cinema Buying Group of the United States, a buying program for independent theaters and has over 600 members made up of small to medium-sized independent theaters representing over 8,000 screens in North America. Besides, the Group's digital cinema server has been included in the approved digital equipment list of the largest (VPF based) digital cinema deployment entity for its "Phase Two" deployment program over the next three years.

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

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

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

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

CG creation and production

Due to the slow down of global economy since late 2007, several clients postponed the commencement of their production plans, it resulted in lower revenue for the CG creation and production division during the year. Most of these projects did eventually commenced near the end of second quarter of the year 2008, and despite the global economy downturn, this division was still profitable for the whole year 2008.

Besides, the Group is actively developing new clients and has secured several projects with some world leading entertainment brands for animated television series and theatrical movies. The Group is also in discussion of co-production opportunities with several large North American and European children's entertainment content development and broadcasting companies. Many existing and prospective clients have expressed the desire for long term and multi-project relationship with the Group based on the demonstrated track record of offering reliable, cost effective, high quality CG production services to international market, the customer base of the Group has already expanded to North America, Europe and Australia. At present, based on orders on hand, the production capacity of this division is already fully occupied up to the fourth quarter of the year 2009.

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

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

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

CG training

CG training division served as a core component of its strategy towards professionalism. Tailored for students in the PRC, its training courses focused on the basic knowledge of CG production. Through continued improvement in the management system and infrastructure, comprehensive training materials for different categories, including CG animation and games, and open new training courses, the Group maintained a leading position in the CG professional training domain in the PRC. This division recorded steady revenue growth of approximately 32% for the year ended 31 December 2008, comparing with that for the year 2007.

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

The Group had bank balances and cash of approximately HK$72.2 million as at 31 December 2008 (2007: HK$210.4 million) and pledged bank deposits of approximately HK$3.5 million as at 31 December 2008 (2007: HK$7.8 million) which were mainly denominated in United States dollars, Hong Kong dollars and Renminbi. The decrease was mainly from net cash used in the operating activities of approximately HK$45.0 million, advance for Guangdong television advertising project, details of which are set out in note 22(a), of approximately HK$68.2 million, and investment in an associate of approximately HK$21.1 million.

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

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

CAPITAL STRUCTURE

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

MATERIAL ACQUISITION, DISPOSALS AND SIGNIFICANT INVESTMENT

Other than the capital injection to an associate as mentioned in note 14, the Group had no material acquisitions, disposals and significant investment during the year ended 31 December 2008.

CHARGE ON ASSETS

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

FOREIGN EXCHANGE EXPOSURE

Currently, the Group mainly earns revenue in United States dollars and Renminbi, and incurs costs in United States dollars, Renminbi and Hong Kong dollars. The Directors believe that the Group does not have significant foreign exchange exposure. However, if necessary, the Group will consider using forward exchange contracts to hedge against foreign currency exposures. As at 31 December 2008, the Group has no significant exposure under foreign exchange.

CONTINGENT LIABILITIES

Saved as disclosed in note 23 about litigation proceeding, the Group had no significant contingent liabilities as at 31 December 2008.

EMPLOYEES

As at 31 December 2008, the Group employed 633 (2007: 424) full time employees. The Group remunerated its employees mainly with reference to the prevailing market practice, individual performance and experience. Other benefits such as medical coverage, insurance plan, mandatory provident fund, discretionary bonus and employee share option scheme are also available to employee of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (whether on the Stock Exchange or otherwise) during the year.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the GEM Listing Rules during the financial year ended 31 December 2008.

Details of the Company's compliance with the provisions of the Code during the year will be set out in the Corporate Governance Report in the Company's 2008 annual report.

REVIEW OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year ended 31 December 2008 have been audited by the Company's independent auditor and reviewed by the Audit Committee of the Company.

APPRECIATION

On behalf of the Board, I would like to extend our sincere thanks to our customers, suppliers and shareholders for their continuous support to the Group. I would also extend my gratitude and appreciation to all management and staff for their hard work and dedication throughout the year.

By order of the Board
Cao Zhong
Chairman

16 March 2009

As at the date of this announcement, the Board comprises Mr. Cao Zhong (Chairman), Mr. Chen Zheng (Managing Director), Mr. Jin Guo Ping (Deputy Managing Director), Ms. Lu Yi, Gloria (Deputy Managing Director), Mr. Leung Shun Sang, Tony (Non-executive Director), Mr. Kwong Che Keung, Gordon (Independent Non-executive Director), Mr. Hui Hung, Stephen (Independent Non-executive Director) and Dr. Japhet Sebastian Law (Independent Non-executive Director).

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the Company's website at www.gdc-world.com.

* *For identification purpose only*