GLOBAL DIGITAL CREATIONS HOLDINGS LIMITED
環球數碼創意控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8271)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

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.

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

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 financial results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2009 with comparative figures for the year ended 31 December 2008.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	NOTES	2009 HK$'000	2008 HK$'000
Revenue	3	**383,117**	120,180
Cost of sales	5	**(280,180)**	(106,042)
Gross profit		**102,937**	14,138
Other income	6	**15,575**	3,066
Distribution costs and selling expenses		**(7,913)**	(9,035)
Administrative expenses		**(72,257)**	(60,073)
Changes in fair value of held-for-trading investments		**859**	(939)
Finance costs	7	**(809)**	(2,428)
Share of loss of an associate		**(287)**	(857)
Loss on dilution of interest in a subsidiary	8	**(165)**	–
Other expense		**–**	(22,202)
Profit (loss) before tax		**37,940**	(78,330)
Income tax (expense) credit	9	**(6,163)**	2,183
Profit (loss) for the year	10	**31,777**	(76,147)
Other comprehensive (expense) income:			
Exchange differences on translation of foreign operations		**(54)**	18,908
Total comprehensive income (expense) for the year		**31,723**	(57,239)
Profit (loss) for the year attributable to:			
Owners of the Company		**14,419**	(71,688)
Minority interests		**17,358**	(4,459)
		31,777	(76,147)
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**14,385**	(53,155)
Minority interests		**17,338**	(4,084)
		31,723	(57,239)
		HK cents	*HK cents*
Earnings (loss) per share	11		
Basic and diluted		**1.11**	(5.53)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	NOTES	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	12	**115,389**	28,265
Intangible asset	13	**–**	244,111
Available-for-sale investment		**568**	–
Prepaid lease payments	14	**5,799**	5,924
Interest in an associate	15	**21,569**	21,856
Other receivables	16	**20,657**	–
Pledged bank deposit		**1,956**	665
Advance	17	**–**	68,182
		165,938	369,003
Current assets			
Inventories	18	**34,947**	15,682
Amounts due from customers for contract work	19	**5,795**	16,935
Trade receivables	20	**41,338**	7,375
Prepayments, deposits and other receivables	16	**27,070**	13,436
Prepaid lease payments	14	**125**	125
Held-for-trading investments		**2,398**	1,539
Convertible loan receivable	17	**119,255**	–
Pledged bank deposit		**–**	2,808
Bank balances and cash		**166,604**	72,155
		397,532	130,055
Current liabilities			
Income received in advance		**35,748**	26,792
Amounts due to customers for contract work	19	**366**	1,763
Trade payables	21	**31,781**	6,874
Other payables and accruals		**47,160**	26,622
Amounts due to fellow subsidiaries		**1,194**	13,315
Amount due to an associate	22	**20,874**	–
Tax liabilities		**6,215**	967
Loan from a fellow subsidiary – due within one year	23	**–**	30,000
Secured bank borrowing – due within one year	24	**–**	14,773
		143,338	121,106
Net current assets		**254,194**	8,949
Total assets less current liabilities		**420,132**	377,952
Capital and reserves			
Issued capital	25	**12,952**	12,952
Retained earnings		**61,289**	31,075
Other reserves		**255,232**	261,004
Equity attributable to owners of the Company		**329,473**	305,031
Share options reserve of a subsidiary		**5,775**	15,838
Minority interests		**74,657**	57,083
Total equity		**409,905**	377,952
Non-current liability			
Secured bank borrowing – due after one year	24	**10,227**	–
		420,132	377,952

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Issued capital	Share premium reserve	Capital contribution reserve	Contributed surplus reserve	Statutory reserve	Share options reserve	Exchange reserve	Special reserve	(Deficit) retained earnings	Attributable to owners of the Company	Share options reserve of a subsidiary	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(Note)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 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	–	–	–	–	–	–	18,533	–	–	18,533	–	375	18,908
Loss for the year	–	–	–	–	–	–	–	–	(71,688)	(71,688)	–	(4,459)	(76,147)
Total comprehensive 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 reserve	–	(589,670)	–	589,670	–	–	–	–	–	–	–	–	–
Elimination of deficit	–	–	–	(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 and 1 January 2009	12,952	–	445	245,881	680	38,765	21,599	(46,366)	31,075	305,031	15,838	57,083	377,952
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(34)	–	–	(34)	–	(20)	(54)
Profit for the year	–	–	–	–	–	–	–	–	14,419	14,419	–	17,358	31,777
Total comprehensive (expense) income for the year	–	–	–	–	–	–	(34)	–	14,419	14,385	–	17,338	31,723
Sub-total	12,952	–	445	245,881	680	38,765	21,565	(46,366)	45,494	319,416	15,838	74,421	409,675
Exercise of share option of a subsidiary	–	–	–	–	–	–	–	–	–	–	(6)	236	230
Cancellation of share options granted	–	–	–	–	–	(11,420)	–	–	11,420	–	–	–	–
Cancellation of share options granted by a subsidiary	–	–	–	–	–	–	–	–	10,057	10,057	(10,057)	–	–
Transfer to statutory reserve	–	–	–	–	5,682	–	–	–	(5,682)	–	–	–	–
At 31 December 2009	12,952	–	445	245,881	6,362	27,345	21,565	(46,366)	61,289	329,473	5,775	74,657	409,905

Note: As stipulated by the rules and regulations in the People's Republic of China (the "PRC", for the purpose of this announcement does not include Hong Kong, Macau and Taiwan), the subsidiaries of the Company established in the PRC are required to appropriate 10% of their after-tax profit (after offsetting prior years' losses) to a general reserve fund until the balance of the fund reaches 50% of their registered capital thereafter any further appropriation is optional and is determinable by the companies' boards of directors.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES		
Profit (loss) before tax	**37,940**	(78,330)
Adjustments for:		
Depreciation	**6,017**	4,865
Allowance for inventories	**3,581**	1,031
Finance costs	**809**	2,428
Amortisation of intangible asset	**633**	28,491
Share of loss of an associate	**287**	857
Loss on dilution of interest in a subsidiary	**165**	–
Amortisation of prepaid lease payments	**125**	125
Loss on disposal of property, plant and equipment	**24**	11
Allowance for doubtful debts	**–**	386
Interest income	**(9,440)**	(2,237)
Gain on disposal of intangible asset	**(2,543)**	(104)
Changes in fair value of held-for-trading investments	**(859)**	939
Operating cashflow before movements in working capital	**36,739**	(41,538)
Increase in inventories	**(22,846)**	(9,952)
Decrease (increase) in amounts due from customers for contract work	**13,719**	(13,549)
(Increase) decrease in trade receivables	**(33,972)**	3,827
Increase in prepayments, deposits and other receivables	**(34,291)**	(2,002)
Increase in held-for-trading investments	**–**	(2,478)
Increase in income received in advance	**8,956**	16,813
Increase in amounts due to customers for contract work	**1,182**	338
Increase in trade payables	**24,907**	2,677
Increase in other payables and accruals	**20,538**	7,906
Decrease in amounts due to fellow subsidiaries	**(12,121)**	(4,141)
Decrease in amounts due to directors	**–**	(2,912)
Cash from (used in) operations	**2,811**	(45,011)
Income tax paid	**(915)**	–
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**1,896**	(45,011)
INVESTING ACTIVITIES		
Proceeds from disposal of intangible asset, net of transaction costs	**249,148**	1,250
Decrease in pledged bank deposits	**1,517**	4,327
Interest received	**694**	2,237
Proceeds from disposal of property, plant and equipment	**358**	–
Repayment from an associate	**–**	1,053
Purchase of property, plant and equipment	**(98,681)**	(20,130)
Investment in a convertible note receivable	**(45,454)**	–
Investment in available-for-sale investment	**(568)**	–
Acquisition of intangible asset	**–**	(548)
Advance to a third party	**–**	(68,182)
Investment in an associate	**–**	(21,084)
Prepaid lease payments	**–**	(87)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**107,014**	(101,164)

	2009	2008
	HK$'000	*HK$'000*
FINANCING ACTIVITIES		
Repayment of loan from a fellow subsidiary	**(30,000)**	(5,000)
Repayment of bank loans	**(29,546)**	(13,898)
Interest paid	**(809)**	(1,094)
Repayment of advance from other related parties	**–**	(908)
Repayment of obligations under finance leases	**–**	(525)
New bank loans raised	**25,000**	14,773
Advance from an associate	**20,874**	–
Proceeds from issue of shares of a subsidiary upon exercise of its share options	**65**	–
Advance received from a fellow subsidiary	**–**	13,600
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(14,416)**	6,948
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**94,494**	(139,227)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**72,155**	210,377
Effect of foreign exchange rate changes	**(45)**	1,005
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**166,604**	72,155

NOTES:

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied a number of new and revised Standards, Amendments to Standards and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants.

Except as described below that affecting presentation and disclosure only, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements for the current or prior accounting periods.

HKAS 1 (revised in 2007) "Presentation of Financial Statements"

HKAS 1 (revised in 2007) has introduced a number of terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

HKFRS 8 "Operating Segments"

HKFRS 8 expands the disclosures required in relation to the Group's reportable segments. The application of the HKFRS 8 has not resulted in a redesignation of the Group's reportable segments or remeasurement of segment profit or loss (see note 4).

Improving Disclosures about Financial Instruments
(Amendments to HKFRS 7 "Financial Instruments: Disclosures")

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

The Group has not early applied the following new and revised Standards, Amendments to Standards or Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

[1] Effective for annual periods beginning on or after 1 July 2009.
[2] Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
[3] Effective for annual periods beginning on or after 1 January 2010.
[4] Effective for annual periods beginning on or after 1 February 2010.
[5] Effective for annual periods beginning on or after 1 July 2010.
[6] Effective for annual periods beginning on or after 1 January 2011.
[7] Effective for annual periods beginning on or after 1 January 2013.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The Directors anticipate that the application of the other new and revised Standards, Amendments to Standards or Interpretations will have no material impact on the consolidated financial statements.

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 end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Provision for litigation

The management of the Group monitors any litigation against the Group closely. Provision for litigation is made based on the opinion of the Group's legal adviser on the possible outcome and liability of the Group. As at 31 December 2009 and 2008, there is no foreseeable financial impact to the Group and no provision for litigation has been made. Details are set out in note 27.

3. REVENUE

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

	2009	2008
	HK$'000	*HK$'000*
Sales of goods	**286,932**	51,984
Revenue from contracts for computer graphic ("CG") creation and production	**55,558**	42,542
Training fee	**19,031**	14,420
Technical service income	**13,526**	2,652
Revenue from provision of assembly and integration services	**4,703**	–
Revenue from exhibition of motion pictures	**1,454**	3,024
Rental income from equipment leasing	**1,343**	40
Royalty income from share of box office receipts	**570**	5,518
	383,117	120,180

4. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM") in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (HKAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. However, the segment information reported to the CODM, being the Chief Executive Officer of the Company, for the purposes of resource allocation and assessment of performance was the same as the business segment information reported externally under HKAS 14 in prior years. Such segment information is analysed on the basis of the Group's operating divisions as below:

- CG creation and production – CG production and exhibition of motion pictures

- Digital content distribution and exhibitions – (i) sales of digital cinema equipment; (ii) provision of technical service; (iii) leasing of digital cinema equipment; and (iv) holding of contractual rights to share box office receipts *(note 13)*

- Deployment of digital cinema network in Asia (a new division in 2009) – provision of assembly and integration services

- CG training courses – provision of CG and animation training

As a result, following the adoption of HKFRS 8, the identification of the Group's reportable segments and measurement of segment profit or loss has not changed.

Segment revenues and results

The following is an analysis of the Group's revenues and results by reportable segment:

For the year ended 31 December 2009

	CG creation and production *HK$'000*	Digital content distribution and exhibitions *HK$'000*	Deployment of digital cinema network in Asia *HK$'000*	CG training courses *HK$'000*	Consolidated *HK$'000*
Revenue	**57,012**	**302,371**	**4,703**	**19,031**	**383,117**
Segment result	**739**	**46,225**	**845**	**5,117**	**52,926**
Investment revenue					**5,643**
Central administration costs					**(20,227)**
Changes in fair value of held-for-trading investments					**859**
Finance costs					**(809)**
Share of loss of an associate					**(287)**
Loss on dilution of interest in a subsidiary					**(165)**
Profit before tax					**37,940**

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	45,566	60,194	14,420	120,180
Segment result	5,121	(66,711)	2,510	(59,080)
Investment revenue				2,244
Central administration costs				(17,270)
Changes in fair value of held-for-trading investments				(939)
Finance costs				(2,428)
Share of loss of an associate				(857)
Loss before tax				(78,330)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

At 31 December 2009

	CG creation and production *HK$'000*	Digital content distribution and exhibitions *HK$'000*	Deployment of digital cinema network in Asia *HK$'000*	CG training courses *HK$'000*	Consolidated *HK$'000*
Assets					
Segment assets	**192,276**	**174,443**	**26,063**	**22,694**	**415,476**
Interest in an associate					**21,569**
Convertible loan receivable					**119,255**
Corporate assets					**7,170**
Consolidated total assets					**563,470**
Liabilities					
Segment liabilities	**15,874**	**85,814**	**–**	**11,238**	**112,926**
Amounts due to fellow subsidiaries					**1,194**
Amount due to an associate					**20,874**
Tax liabilities					**6,215**
Secured bank borrowing					**10,227**
Corporate liabilities					**2,129**
Consolidated total liabilities					**153,565**

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*
Assets				
Segment assets	23,883	374,957	4,267	403,107
Interest in an associate				21,856
Advance				68,182
Corporate assets				5,913
Consolidated total assets				499,058
Liabilities				
Segment liabilities	16,921	32,253	4,864	54,038
Amounts due to fellow subsidiaries				13,315
Tax liabilities				967
Loan from a fellow subsidiary				30,000
Secured bank borrowing				14,773
Corporate liabilities				8,013
Consolidated total liabilities				121,106

Geographical information

The Group's reportable segments operate in four main geographical areas, namely the PRC, the United States, Europe and other regions. The head office of the Group and deployment of digital cinema network in Asia division are located in Hong Kong. The 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 Group's revenue by geographical market based on geographical location of customers, irrespective of the origin of the goods is detailed below:

	Revenue from external customers	
	2009	2008
	HK$'000	*HK$'000*
The PRC	**262,338**	55,523
United States	**48,288**	36,434
Europe	**17,716**	12,076
Other regions	**54,775**	16,147
	383,117	120,180

5. COST OF SALES

Cost of sales for the year ended 31 December 2009 includes amortisation of intangible asset, which represented 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, of approximately HK$633,000 (2008: approximately HK$28,491,000).

6. OTHER INCOME

Other income for the year ended 31 December 2009 primarily comprises:

- Interest income of approximately HK$6,313,000 (2008: approximately HK$2,237,000);

- Government grants of approximately HK$3,282,000 (2008: approximately HK$187,000). The amounts are granted by the relevant PRC authorities to certain of the Group's subsidiaries to subsidise the CG production and distribution of motion pictures and CG training in the PRC. There are no specific conditions attached to the grants or the conditions attached are satisfied and therefore the Group recognised the grants upon receipt or satisfaction of the conditions;

- Gain of approximately HK$2,543,000 (2008: Nil) on disposal of intangible asset to China Film Group Corporation ("CFGC"), the majority shareholder of an associate of the Group, details of which are set out in note 13; and

- Imputed interest income derived from the deferred consideration of the disposal of intangible asset of approximately HK$3,127,000 (2008: Nil), details of which are set out in note 13.

7. FINANCE COSTS

	2009	2008
	HK$'000	*HK$'000*
Interest on:		
Bank borrowings wholly repayable within five years	**530**	1,078
Loan from a fellow subsidiary	**279**	1,303
Loan from other related party	**–**	31
Finance leases	**–**	16
	809	2,428

8. LOSS ON DILUTION OF INTEREST IN A SUBSIDIARY

The amount for the year ended 31 December 2009 represents loss on dilution of the Group's interest in GDC Technology Limited ("GDC Technology"), a subsidiary of the Company, upon exercise of share options of GDC Technology during the year.

9. INCOME TAX EXPENSE (CREDIT)

	2009	2008
	HK$'000	*HK$'000*
The income tax expense (credit) comprises:		
Current tax:		
PRC Enterprise Income Tax ("EIT")	**6,163**	–
Hong Kong	**–**	63
	6,163	63
Overprovision in prior year:		
PRC EIT	**–**	(2,246)
	6,163	(2,183)

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, 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. For the year ended 31 December 2009, the relevant tax rates for the Group's subsidiaries in the PRC ranged from 20% to 25% (2008: 18% to 25%).

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% of the estimated assessable profit for both years.

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

10. PROFIT (LOSS) FOR THE YEAR

	2009	2008
	HK$'000	*HK$'000*
Profit (loss) for the year has been arrived at after charging:		
Staff costs, including directors' emoluments:		
– Salaries, wages and other benefits	**94,274**	75,342
– Retirement benefit scheme contributions	**2,729**	2,416
Total staff costs	**97,003**	77,758
Less: amounts included in contract costs	**(21,095)**	(10,526)
	75,908	67,232
Allowance for doubtful debts	**–**	386
Allowance for inventories	**3,581**	1,031
Amortisation of intangible asset (included in cost of sales)	**633**	28,491
Amortisation of prepaid lease payments	**125**	125
Auditor's remuneration	**1,117**	2,061
Cost of inventories recognised as an expense	**180,015**	35,574
Contract costs recognised as an expense	**49,711**	28,953
Depreciation	**11,175**	7,337
Less: amounts included in contract costs	**(5,158)**	(1,904)
government grants	**–**	(568)
	6,017	4,865
Loss on disposal of property, plant and equipment	**24**	11
Minimum lease payments under operating leases for land and buildings	**6,040**	5,625
Less: amounts included in contract costs	**(681)**	(916)
	5,359	4,709
Research and development costs recognised as an expense	**8,043**	2,843
and after crediting:		
Gain on disposal of intangible asset	**2,543**	104
Exchange gain, net	**1,429**	406
Reversal of doubtful debts	**227**	–

11. EARNINGS (LOSS) PER SHARE

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

	2009	2008
	HK$'000	*HK$'000*
Earnings (loss)		
Earnings (loss) for the purposes of basic and diluted earnings (loss) per share (Profit (loss) for the year attributable to owners of the Company)	**14,419**	(71,688)

	2009	2008
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings (loss) per share	**1,295,246**	1,295,246

The computation of diluted earnings per share for the year ended 31 December 2009 does not assume the exercise of the Company's share options as the exercise prices of the share options are higher than the average market price of the shares for the year.

The computation of diluted loss per share for the year ended 31 December 2008 did not assume the exercise of the Company's share options since their exercise would result in a decrease in the loss per share for that year.

12. PROPERTY, PLANT AND EQUIPMENT

	Carrying values
	HK$'000
At 1 January 2009	28,265
Additions	98,681
Depreciation	(11,175)
Disposals	(382)
At 31 December 2009	115,389

13. INTANGIBLE ASSET

	Carrying value
	HK$'000
At 1 January 2009	244,111
Amortisation	(633)
Disposals	(243,478)
At 31 December 2009	–

As at 31 December 2008, the intangible asset represented 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 had finite useful life and was amortised on a straight line basis over the relevant contract up to 10 years. In 2009, the Group disposed the intangible asset to CFGC for a consideration of RMB223,791,600 (equivalent to approximately HK$254,227,000).

The difference between the fair value of consideration of approximately HK$251,100,000, estimated by using the People's Bank of China Renminbi Lending Rate, transaction costs directly attributable to the disposal of approximately HK$5,079,000 and the carrying amount of the intangible assets at the date of disposal is recognised in profit or loss for the year and included in other income. Imputed interest income derived from the deferred consideration of the disposal of approximately HK$3,127,000 is recognised for the year and included in other income.

The disposal was approved by shareholders of the Company at the Special General Meeting on 17 February 2009. Details of the disposal were set out in the circular of the Company dated 23 January 2009.

14. PREPAID LEASE PAYMENTS

	2009	2008
	HK$'000	*HK$'000*
COST		
At 1 January	**6,246**	5,794
Exchange realignment	**–**	365
Addition during the year	**–**	87
At 31 December	**6,246**	6,246
AMORTISATION		
At 1 January	**197**	68
Exchange realignment	**–**	4
Charge for the year	**125**	125
At 31 December	**322**	197
CARRYING VALUE		
At 31 December	**5,924**	6,049

The Group's prepaid lease payments comprise:

Medium-term leasehold land in the PRC	**5,924**	6,049

Analysed for reporting purposes as:		
Current	**125**	125
Non-current	**5,799**	5,924
	5,924	6,049

15. INTEREST IN AN ASSOCIATE

	2009	2008
	HK$'000	*HK$'000*
Cost of investment in an unlisted associate	**21,806**	21,806
Share of post-acquisition exchange difference recognised in other comprehensive income	**1,205**	1,205
Share of post-acquisition losses	**(1,442)**	(1,155)
	21,569	21,856

As at 31 December 2009 and 2008, the Group has 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 in 2008 and became inactive in 2009

16. OTHER RECEIVABLES

The whole amount of other receivables classified as non-current assets (2008: Nil) and approximately HK$4,153,000 of other receivables classified as current assets (2008: Nil) relate to receivables arising from Virtual Print Fee ("VPF") agreements.

During the year, a subsidiary of the Company signed VPF agreements and exhibition agreements (collectively referred to as "VPF Arrangement") with distributors and exhibitors of digital content (collectively referred to as "Third Parties") in connection with the deployment of digital cinema equipment in cinemas in Asia. Under the VPF Arrangement, the Group would provide (i) assembly and integration services in respect of digital cinema equipment and install the equipment in the exhibitors' cinemas as well as (ii) financing to the Third Parties for a portion of the agreed purchase price of this digital cinema equipment. These receivables, which are to be settled based on the usage of the digital cinema equipment within 10 years from the date of installation, bear interest at the cost of funds incurred by that subsidiary arising from the VPF Arrangement but subject to a cap of 10% per annum.

The Directors expect that approximately HK$4,153,000 will be settled within one year after the end of the reporting period and this amount is therefore classified as a current asset.

17. ADVANCE/CONVERTIBLE LOAN RECEIVABLE

On 23 December 2008, the Group entered into a conditional agreement (the "Loan Facility Arrangement") with Southern International Limited (the "Borrower"), a private investment company incorporated in Hong Kong, and its holding company whereby the Group agreed to advance a loan facility in the maximum principal amount of RMB100 million (equivalent to approximately HK$113.6 million) (the "Loan Receivable") and the Borrower agreed to grant to the Group the exclusive rights and options to subscribe for an aggregate of up to 60% of the enlarged issued capital of the Borrower (the "Conversion Option") 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. Details of the transaction were set out in the circular of the Company dated 23 January 2009.

The transaction was approved by shareholders of the Company at the Special General Meeting of the Company on 17 February 2009, the advance of approximately HK$68.2 million as at 31 December 2008 formed part of the Loan Receivable thereafter and the Group advances the remaining sum of approximately HK$45.4 million to the Borrower during the year ended 31 December 2009.

The Conversion Option was granted to the Group pursuant to the Loan Facility Arrangement. Accordingly, the Group assessed the fair value of the Loan Receivable with reference to the prevailing market interest of similar non-convertible loans and appointed Messrs. Jones Lang LaSalle Sallmanns Limited ("Sallmanns"), an independent qualified professional valuer not connected with the Group, to ascertain the fair value of the Conversion Option as at 17 February 2009 and 30 June 2009 ("Valuation"). The fair value of the Conversion Option as at 31 December 2009 has been estimated by the Directors with reference to the valuation methodology adopted by Sallmanns and the performance of the Borrower since 1 July 2009. The Group concluded that the principal amount of the Loan Receivable approximates to its fair value at initial recognition and the fair value of the Conversion Option is insignificant at both initial recognition and 31 December 2009.

As at 31 December 2009, the carrying amount of the convertible loan receivable of approximately HK$119.3 million comprises principal amount of RMB100 million (equivalent to approximately HK$113.6 million) and the accrued interest thereon. The convertible loan receivable is stated at amortised cost using the effective interest method at 6% per annum less any identified impairment losses.

Subsequent to the end of the reporting period, the Borrower repaid part of the principal amount of Loan Receivable and the accrued interest thereon amounting to approximately HK$113.6 million. The remaining amount of approximately HK$5.7 million is expected to be settled within one year after the end of the reporting period and therefore, the whole amount of approximately HK$119.3 million is classified as a current asset.

18. INVENTORIES

	2009	2008
	HK$'000	*HK$'000*
Raw materials, net of allowance of approximately HK$1,974,000 (2008: approximately HK$650,000)	**7,059**	6,345
Finished goods, net of allowance of approximately HK$2,492,000 (2008: approximately HK$940,000)	**27,888**	9,337
	34,947	15,682

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

The following are details of contracts from CG production in progress at the end of the reporting period:

	2009	2008
	HK$'000	*HK$'000*
Contract costs incurred plus recognised profits less recognised losses	**49,991**	28,574
Less: progress billings	**(44,562)**	(13,402)
	5,429	15,172
Analysed for reporting purposes as:		
Amounts due from customers for contract work	**5,795**	16,935
Amounts due to customers for contract work	**(366)**	(1,763)
	5,429	15,172

20. TRADE RECEIVABLES

The following is an aged analysis at the end of the reporting period of the trade receivables, net of allowance for doubtful debts presented based on the invoice date:

	2009	2008
	HK$'000	*HK$'000*
Within three months	**39,531**	5,003
Three to six months	**1,484**	672
Over six months	**323**	1,700
	41,338	7,375

The Group allows different credit periods to its customers from 30 days to 90 days depending on the type of products sold or services provided.

21. TRADE PAYABLES

The following is an aged analysis at the end of the reporting period of the trade payables presented based on the invoice date:

	2009	2008
	HK$'000	*HK$'000*
Within three months	**29,965**	5,325
Three to six months	**1,816**	76
Over six months	**–**	1,473
	31,781	6,874

The average credit period on purchases of goods is 60 days.

22. AMOUNT DUE TO AN ASSOCIATE

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

23. LOAN FROM A FELLOW SUBSIDIARY

As at 31 December 2008, the loan was owing to SCG Finance Corporation Limited, a wholly-owned subsidiary of Shougang Concord Grand (Group) Limited, the ultimate holding company of the Company, which was unsecured, bore interest at 6% per annum and was fully settled during the year.

24. SECURED BANK BORROWING

	2009	2008
	HK$'000	*HK$'000*
Secured variable-rate bank borrowing	**10,227**	14,773
Carrying amount repayable:		
Within one year	**–**	14,773
More than one year, but not exceeding two years	**–**	–
More than two years, but not exceeding three years	**2,273**	–
More than three years, but not exceeding four years	**7,954**	–
	10,227	14,773
Less: Amounts due within one year shown under current liabilities	**–**	(14,773)
Amounts due after one year	**10,227**	–

25. ISSUED CAPITAL

	Number of shares	**Share capital**
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2008, 31 December 2008 and 2009	2,400,000,000	24,000
Issued and fully paid:		
At 1 January 2008, 31 December 2008 and 2009	1,295,245,540	12,952

26. CAPITAL COMMITMENTS

	2009	2008
	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	**125,733**	8,350

27. 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 were 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.

Effective from 1 May 2008, GDC Entertainment had 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 (2008: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

Revenue for the year ended 31 December 2009 is approximately HK$383,117,000, when comparing with that of approximately HK$120,180,000 for the year 2008, representing an increase of approximately 219%. The increase is mainly attributable to an increase in revenue from digital content distribution and exhibitions division and CG creation and production division by HK$242,177,000 and HK$11,446,000 respectively.

Cost of sales for the year ended 31 December 2009 amounts to approximately HK$280,180,000, when comparing with that of approximately HK$106,042,000 for the year 2008, representing an increase of approximately 164%. The increase is mainly due to increase in costs of goods sold and CG production costs in line with increase in the respective revenue.

The Group records a gross profit of approximately HK$102,937,000 for the year ended 31 December 2009, representing a gross profit margin of approximately 27%. Comparing with the gross profit margin of approximately 12% for the year 2008, the improvement is mainly due to decrease in amortisation of intangible asset in the amount of cost of sales by approximately HK$27,858,000.

Other income for the year ended 31 December 2009 amounts to approximately HK$15,575,000 (2008: HK$3,066,000), representing an increase of approximately 408%. The increase is mainly due to increase in interest income and government grants by approximately HK$4,076,000 and HK$3,095,000, respectively, and the amount for this year includes a gain of approximately HK$2,543,000 on disposal of intangible asset to CFGC upon termination of the cooperation with CFGC for the deployment of digital cinema network in the PRC and the relevant imputed interest income derived from the deferred consideration of approximately HK$3,127,000.

Administrative expenses for the year ended 31 December 2009 amounts to approximately HK$72,257,000 (2008: HK$60,073,000), representing an increase of approximately 20%. The increase is a result of more research and development costs incurred by digital content distribution and exhibitions division of approximately HK$5,200,000 and the growth in the operations of the Group during this year.

Other expense of approximately HK$22,202,000 for the year ended 31 December 2008 represented a one-off payment to CFGC for the acquisition of certain of its film distribution rights in the PRC during that year.

Overall, the Group records profit of approximately HK$14,419,000 for the year ended 31 December 2009 attributable to owners of the Company, when comparing with that loss of approximately HK$71,688,000 for the year 2008.

BUSINESS REVIEW AND OUTLOOK

Digital content distribution and exhibitions

For the year ended 31 December 2009, revenue from digital content distribution and exhibitions division reports an approximate four-fold increment to approximately HK$302,371,000, when compared with that for the year 2008. This significant growth is attributed to more digital cinema equipment sold to customers in the United States, the PRC and other Asian territories, such as South Korea. The Group also explores new markets, including Australia, Europe, Japan and Russia, and has successfully received new orders from customers in these regions.

In order to best satisfy the customers' needs and offer an all-round digital cinema solution, the Group incurred more research and development costs to enhance its technologies and sharpen its competitive edge in the digital cinema business. In April 2009, the Group completed the integration of a 3D EQ technology to its digital cinema server, which can provide film distributors with significant savings in millions by adopting Digital Cinema Initiative ("DCI") requirement of a single 3D DCP format for digital cinema distribution. In December 2009, the Group announced a new product, digital cinema Integrated Media Block ("IMB"), with one of the leading digital cinema projector manufacturer that can be seamlessly integrated into a brand new generation of projector, DLP Cinema® Series 2 projector. Recently, the Group also demonstrates its fifth generation digital cinema server which is capable of working with the DLP Cinema® Series 2 projector and begins shipping in the year 2010.

The Group continues to promote its products through participating in international trade exhibitions and high profile demonstration projects, and develop products that aim at meeting more than the standard DCI specifications. The ultimate goal of the Group is to develop the best multimedia solutions and sell its digital cinema equipment for large scale public playback in cinema multiplexes and museums.

At present, the cinema industry is in the tipping point of overwhelmingly adopting digital cinema, a completely digital medium for the distribution and exhibition of feature films. In late September 2009, the major exhibitors in the United States announced that they have secured funding to finance the digitalisation of 14,000 cinema screens. The success of several 3D feature films during this year is also an important driver for speeding up the digitalisation. It is expected that the conversion to digital cinemas will be completed in the coming 5 years.

To capture the potential opportunities, the Group continues to strengthen its production facilities and improve its production quality in Shenzhen and Hong Kong in preparation of mass production of its products. Its facility in Hong Kong also achieves ISO 9001:2000 certification during this year following the Shenzhen production facility.

Deployment of digital cinema network in Asia

In Asia (except the PRC), the Group has reached separate non-exclusive VPF agreements with five out of six major Hollywood studios for digital cinema deployment. These studios are committed to supply Asian exhibitors with feature film content digitally, as well as to provide financial assistance for the hardware cost of DCI compliant digital cinema equipment deployed. The Group has signed up with two major exhibitors in Hong Kong to participate in the VPF arrangement and endeavors to sign up with more in the coming future.

CG creation and production

Despite adverse environment under the global economy downturn, increase in CG production orders makes CG creation and production division recording revenue growth by approximately 25% to approximately HK$57,012,000 for the year ended 31 December 2009 when comparing with that for the year 2008. During this year, there are seven CG production projects in progress, including films, DVD and television series, with customers coming from North America, Europe and Australia. Four of the projects are completed during this year while the other three are expected to be completed in the first quarter of the year 2010. However, due to change in production schedule of and some adjustments to an individual project, production costs increase accordingly, to deal with this uncertainty, the Group makes some allowance during this year, thus the profit efficiency of this division is lower than that for the year 2008, even though overall it is still profitable.

Besides, two of the seven projects are co-production with large European and American animation content production and distribution companies, in which the Group has sole distribution right in the Chinese-speaking region and can share certain profit in the global distribution. These partners actively work with the Group and add “Chinese element” to these global projects.

In addition to nearly concluding production of several series two of successful projects with existing customers, the Group is actively looking for new customers, including world leading entertainment brands, for animated television series and films. Some new projects are under negotiations, one of these has commenced production in January 2010 while another two are in the testing stage.

In addition, by providing technical support and joint distribution with CFGC, the Group releases a Belgium 3D animation film “Fly Me to the Moon” in over 300 digital cinema multiplexes across the PRC during this year. The success of distribution of this film in the PRC results in continuous cooperation of another film between the parties, and attracting several international companies approaching the Group for production of 3D films, co-production, distribution and other business.

To deal with business growth and increase in market share, the Group's subsidiary in Chongqing commences its production during this year and completes production of a DVD and a television series with another project in progress. The production centres in Shenzhen and Chongqing both use advanced network and IT technology to establish an integrated operation platform so that employees, facilities and management system at these two locations can interflow together. This multi-site CG production increases the Group's ability in the CG business to expand the capacity and price adjustment, allowing the Group to react promptly to changes in the market.

CG training

CG training division continues to pursue, as a core component of its strategy, towards professionalism and strengthening of training materials, it continuously records nearly 100% employment of the graduates, it is a bright torch in the financial crisis and receives more support from the PRC government. This division is able to achieve an "Upstream" result even under the financial crisis and records steady growth in revenue and segment result of approximately 32% and 104%, respectively, for the year ended 31 December 2009 when comparing with that for the year 2008.

After upgrading the existing training courses for the knowledge of CG production, on-line and other games, the Group organises new professional training programmes in other areas, including after effects, virtual reality and case studies for animation, in response to the market needs. Besides, the Group continues to co-operate with prominent high schools in the PRC for organising "Skill and Qualification" training programme to their students in achieving "One Course, Several Certificates", and to train up their practical skills to get ready for work immediately after graduated.

In addition to the Group's training centres in Shanghai, Shenzhen, Wuxi and Chongqing, the Group set up a new direct operation training site in Guangzhou during this year and plans to set up one more site in the North to cover all-round in the PRC. At the same time, the Group will further develop its training network to those areas in the PRC with developed animation industry.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2009, the Group has bank balances and cash of approximately HK$166.6 million (2008: HK$72.2 million) and pledged bank deposits of approximately HK$2.0 million (2008: HK$3.5 million), which are mainly denominated in Hong Kong dollars, Renminbi and United States dollars. The increase is mainly from net proceeds from disposal of intangible asset of approximately HK$249.1 million and advance from an associate of approximately HK$20.9 million, netting off with purchase of property, plant and equipment of approximately HK$98.7 million, investment in a convertible loan receivable of approximately HK$45.5 million, and repayment of loan from a fellow subsidiary of HK$30.0 million.

As at 31 December 2009, the Group's borrowing amounts to approximately HK$10.2 million, which is repayable after twelve months from 31 December 2009. The bank borrowing is denominated in Renminbi and it bears interest at market rate.

Gearing ratio (calculated as borrowing divided by equity attributable to owners of the Company) as at 31 December 2009 is approximately 3% (2008: 15%). As at 31 December 2009, the Group has current ratio of approximately 2.8 (2008: 1.1) based on current assets of approximately HK$397.5 million and current liabilities of approximately HK$143.3 million. The improvement in the Group's leverage is mainly attributable to net proceeds received from disposal of intangible asset.

CAPITAL STRUCTURE

The equity attributable to owners of the Company amounts to approximately HK$329.5 million as at 31 December 2009 (2008: HK$305.0 million). The increase is mainly due to profit for the year ended 31 December 2009 attributable to owners of the Company of approximately HK$14.4 million and transfer of approximately HK$10.1 million from share options reserve of a subsidiary upon cancellation of those share options during this year.

MATERIAL ACQUISITION, DISPOSALS AND SIGNIFICANT INVESTMENT

The Group has no material acquisitions, disposals and significant investment during the year ended 31 December 2009.

CHARGE ON ASSETS

As at 31 December 2009, the Group has the following charge on assets:

(i) The Group's construction in progress and prepaid lease payments with an aggregate carrying value of approximately HK$97.4 million are pledged to bank to secure for bank borrowing with outstanding amount of approximately HK$10.2 million and undrawn borrowing facilities of approximately HK$160.2 million; and

(ii) The Group pledges deposit amounted to approximately HK$2.0 million to a bank to secure a construction agreement entered into with an independent third party. The pledged bank deposit will be released upon the settlement of the agreement.

FOREIGN EXCHANGE EXPOSURE

Currently, the Group earns revenue mainly in United States dollars and Renminbi, and incurs costs mainly 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 2009, the Group has no significant exposure under foreign exchange.

CONTINGENT LIABILITIES

Saved as disclosed in note 27 about litigation proceeding, the Group has no significant contingent liabilities as at 31 December 2009.

EMPLOYEES

As at 31 December 2009, the Group employs 652 (2008: 633) full time employees (excluding those under the payroll of an associate of the Group). The Group remunerates 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.

During the year ended 31 December 2009, the Company and its subsidiaries has not paid or committed to pay any amount as an inducement to join or upon joining the Company and/or its subsidiaries to any individual.

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 provisions set out in 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 2009.

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 2009 annual report.

REVIEW OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year ended 31 December 2009 have been audited by the Company's auditor, Messrs. Deloitte Touche Tohmatsu and reviewed by the Audit Committee of the Company.

ANNUAL GENERAL MEETING

The 2010 Annual General Meeting will be held on Tuesday, 8 June 2010, at 10:30 a.m. at JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong. The Notice of the 2010 Annual General Meeting will be separately published in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 3 June 2010 to Tuesday, 8 June 2010, both dates inclusive, during which period, no transfer of shares will be registered. In order to be entitled for attend and vote at the 2010 Annual General Meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with Hong Kong branch share registrars and transfer office of the Company, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 pm on Wednesday, 2 June 2010.

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

Hong Kong, 24 March 2010

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), 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 Prof. 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*