首長四方（集團）有限公司*

SHOUGANG CONCORD GRAND (GROUP) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 730)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

The board of directors (the "Board") of Shougang Concord Grand (Group) Limited (the "Company") 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. These final results have been reviewed by the Audit Committee of the Company.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	NOTES	**2008** **HK$'000**	2007 HK$'000
Revenue	3	**308,181**	284,303
Cost of sales		**(262,550)**	(193,371)
Gross profit		**45,631**	90,932
Interest income from entrusted loan receivables		**3,674**	–
Other income	5	**12,035**	23,369
Distribution costs and selling expenses		**(14,240)**	(5,553)
Administrative expenses	6	**(128,233)**	(156,036)
(Decrease) increase in fair value of investment properties		**(15,960)**	31,130
Changes in fair value of held-for-trading investments		**(30,011)**	23,713
Finance costs	7	**(6,046)**	(4,873)
Share of results of associates		**(857)**	7,255
Other expense	8	**(22,202)**	–
Discount on acquisition of additional interest in a subsidiary		**–**	1,342
Gain on disposal and dilution of interests in subsidiaries		**–**	375,680
Gain on disposal of interest in a jointly controlled entity		**–**	61,039
(Loss) profit before tax		**(156,209)**	447,998
Income tax expense	9	**(1,540)**	(6,785)
(Loss) profit for the year	10	**(157,749)**	441,213
Attributable to:			
Equity holders of the Company		**(119,446)**	425,661
Minority interests		**(38,303)**	15,552
		(157,749)	441,213
(Loss) earnings per share	11		
Basic		**(HK10.38 cents)**	HK37.19 cents
Diluted		**N/A**	HK35.99 cents

CONSOLIDATED BALANCE SHEET

At 31 December 2008

	NOTES	**2008** **HK$'000**	2007 HK$'000
Non-current assets			
Property, plant and equipment	12	**60,510**	47,634
Prepaid lease payments	13	**7,512**	7,230
Investment properties	14	**125,200**	141,160
Goodwill	15	**52,935**	63,332
Intangible asset	16	**244,111**	221,545
Interests in associates	17	**21,856**	424
Advances	18	**126,547**	–
Finance lease receivables	19	**827,138**	1,029,469
Entrusted loan receivables	20	**25,499**	–
Restricted bank deposits		**66,069**	72,482
Pledged bank deposit		**665**	–
Advance paid for acquisition of intangible asset		**–**	35,581
		1,558,042	1,618,857
Current assets			
Inventories	21	**21,904**	25,781
Production work in progress		**3,875**	11,094
Amounts due from customers for contract work	22	**16,935**	1,494
Finance lease receivables	19	**463,170**	344,404
Entrusted loan receivables	20	**26,879**	–
Trade receivables	23	**20,524**	19,043
Prepayments, deposits and other receivables		**22,957**	42,259
Prepaid lease payments	13	**156**	147
Amount due from an associate		**–**	1,053
Held-for-trading investments	24	**85,668**	29,846
Pledged bank deposits		**2,808**	8,852
Bank balances and cash		**195,381**	463,561
		860,257	947,534

	NOTES	2008 HK$'000	2007 HK$'000
Current liabilities			
Amounts due to customers for contract work	22	**1,763**	1,440
Trade payables	25	**8,117**	5,146
Other payables and accruals		**53,492**	44,848
Income received in advance		**38,108**	23,361
Rental and management fee deposits received		**1,189**	1,044
Amount due to a related party		**–**	455
Tax liabilities		**9,506**	8,291
Borrowings	26	**427,048**	362,267
		539,223	446,852
Net current assets		**321,034**	500,682
Total assets less current liabilities		**1,879,076**	2,119,539
Non-current liabilities			
Income received in advance		**16,393**	21,245
Borrowings	26	**930,248**	1,055,103
Security deposits received		**60,168**	73,495
Deferred tax liabilities		**1,093**	1,340
		1,007,902	1,151,183
Net assets		**871,174**	968,356
Capital and reserves			
Share capital	27	**11,514**	11,504
Reserves		**540,130**	624,310
Equity attributable to equity holders of the Company		**551,644**	635,814
Share options reserve of subsidiaries		**54,603**	55,249
Minority interests		**264,927**	277,293
Total equity		**871,174**	968,356

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	Share capital HK$'000	Share premium HK$'000	Capital contribution reserve HK$'000	Contributed surplus HK$'000	Translation reserve HK$'000	Share options reserve HK$'000	Special reserve HK$'000	(Accumulated losses) retained profits HK$'000	Total HK$'000	Share options reserve of subsidiaries HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2007	11,369	417,690	445	2,135	16,369	–	–	(235,998)	212,010	5,907	3,646	221,563
Exchange differences on translation of associates/subsidiaries representing income recognised directly in equity	–	–	–	–	12,502	–	–	–	12,502	–	3,968	16,470
Profit for the year	–	–	–	–	–	–	–	425,661	425,661	–	15,552	441,213
Release of translation reserve upon disposal of interest in a jointly controlled entity	–	–	–	–	(12,352)	–	–	–	(12,352)	–	–	(12,352)
Release of translation reserve upon disposal of interests in subsidiaries	–	–	–	–	983	–	–	–	983	–	–	983
Total recognised income for the year	–	–	–	–	1,133	–	–	425,661	426,794	–	19,520	446,314
Recognition of share-based payments	–	–	–	–	–	14,949	–	–	14,949	57,402	–	72,351
Exercise of share options	135	7,569	–	–	–	(2,155)	–	–	5,549	–	–	5,549
Exercise of share options of subsidiaries	–	–	–	–	–	–	–	–	–	(8,052)	33,986	25,934
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	27,608	27,608
Cancellation of share options granted by a subsidiary	–	–	–	–	–	–	–	8	8	(8)	–	–
Additional contribution from minority shareholders	–	–	–	–	–	–	–	–	–	–	427,224	427,224
Dilution of interests in subsidiaries	–	–	–	–	–	–	–	–	–	–	(268,781)	(268,781)
Partial disposal of interests in subsidiaries	–	–	–	–	–	–	–	–	–	–	1,539	1,539
Additional investments in subsidiaries shared by minority shareholders of subsidiaries	–	–	–	–	–	–	(23,496)	–	(23,496)	–	32,551	9,055
At 31 December 2007	11,504	425,259	445	2,135	17,502	12,794	(23,496)	189,671	635,814	55,249	277,293	968,356
Exchange differences on translation of associates/subsidiaries representing income recognised directly in equity	–	–	–	–	23,351	–	–	–	23,351	–	11,117	34,468
Loss for the year	–	–	–	–	–	–	–	(119,446)	(119,446)	–	(38,303)	(157,749)
Total recognised income and expense for the year	–	–	–	–	23,351	–	–	(119,446)	(96,095)	–	(27,186)	(123,281)
Recognition of share-based payments	–	–	–	–	–	10,869	–	–	10,869	–	–	10,869
Exercise of share options	10	559	–	–	–	(159)	–	–	410	–	–	410
Reduction of share premium *(Note)*	–	(425,259)	–	425,259	–	–	–	–	–	–	–	
Elimination of accumulated losses *(Note)*	–	–	–	(311,818)	–	–	–	311,818	–	–	–	–
Cancellation of share options granted by subsidiaries	–	–	–	–	–	–	–	646	646	(646)	–	–
Capital contribution from a minority shareholder	–	–	–	–	–	–	–	–	–	–	14,820	14,820
At 31 December 2008	11,514	559	445	115,576	40,853	23,504	(23,496)	382,689	551,644	54,603	264,927	871,174

Note: A special resolution was passed by shareholders of the Company at the Special General Meeting of the Company held on 6 June 2008 and completed thereafter that an amount of approximately HK$425,259,000 standing to the credit of the share premium account of the Company as at 31 December 2007 be 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$311,818,000 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 requirements 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	**(156,209)**	447,998
Adjustments for:		
Changes in fair value of held-for-trading investments	**30,011**	(23,713)
Amortisation of intangible asset	**28,491**	–
Decrease (increase) in fair value of investment properties	**15,960**	(31,130)
Share-based payments expenses	**10,869**	72,351
Impairment loss in respect of goodwill	**10,397**	–
Depreciation of property, plant and equipment	**7,857**	2,433
Allowance for bad and doubtful debts	**6,386**	230
Finance costs	**6,046**	4,873
Research and development costs	**2,843**	4,432
Allowance for inventories	**1,031**	–
Share of results of associates	**857**	(7,255)
Amortisation of prepaid lease payments	**161**	99
Loss on disposal of property, plant and equipment	**50**	119
Interest income	**(5,190)**	(14,084)
Interest income from entrusted loan receivables	**(3,674)**	–
Dividend income from held-for-trading investments	**(3,118)**	(144)
Gain on disposal of intangible asset	**(104)**	–
Discount on acquisition of additional interest in a subsidiary	**–**	(1,342)
Gain on disposal and dilution of interests in subsidiaries	**–**	(375,680)
Gain on disposal of interest in a jointly controlled entity	**–**	(61,039)
Operating cash flows before movements in working capital	**(47,336)**	18,148
Decrease (increase) in inventories	**4,043**	(14,330)
Decrease in production work in progress	**7,965**	1,443
(Increase) decrease in amounts due from customers for contract work	**(13,549)**	168
Decrease in finance lease receivables	**170,090**	34,631
Increase in trade receivables	**(7,314)**	(141,615)
Decrease (increase) in prepayments, deposits and other receivables	**20,985**	(8,301)
(Increase) decrease in held-for-trading investments	**(85,275)**	8,567
Increase in amounts due to customers for contract work	**338**	227
Increase in trade payables	**2,971**	1,302
Increase (decrease) in other payables and accruals	**7,707**	(18,528)
Increase in income received in advance	**8,172**	3,334
Increase in rental and management fee deposits received	**145**	29
(Decrease) increase in security deposits received	**(17,954)**	1,604
Cash generated from (used in) operations	**50,988**	(113,321)
Dividend received from held-for-trading investments	**3,118**	144
Income tax paid	**(848)**	(806)
Interest paid	**(6,046)**	(4,721)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**47,212**	(118,704)

	2008 *HK$'000*	2007 *HK$'000*
INVESTING ACTIVITIES		
Advances paid	**(126,547)**	–
Capital contribution to associates	**(21,084)**	(17,503)
Increase in entrusted loan receivables	**(52,378)**	–
Purchases of property, plant and equipment	**(20,670)**	(15,132)
Expenditure on product development	**(2,843)**	(4,432)
Acquisition of intangible asset	**(548)**	(88,633)
Advance paid for acquisition of intangible asset	**–**	(35,581)
Prepaid lease payments made	**(87)**	(5,794)
Decrease in restricted bank deposits	**10,976**	–
Decrease (increase) in pledged bank deposits	**5,379**	(7,838)
Interest received	**5,190**	14,084
Interest received from entrusted loan receivables	**3,674**	–
Proceeds from disposal of intangible asset	**1,250**	–
Repayment from associates	**1,053**	16,190
Proceeds from disposal of interest in a jointly controlled entity	**–**	174,176
Proceeds from disposal of partial interest in a subsidiary (net of expense)	**–**	68,308
Acquisition of subsidiaries	**–**	42,447
Proceeds from disposal of property, plant and equipment	**–**	20
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(196,635)**	140,312
FINANCING ACTIVITIES		
Repayment of borrowings	**(440,820)**	(71,678)
Repayment to related parties	**(455)**	(1,928)
New borrowings raised	**296,773**	13,898
Capital contribution from a minority shareholder	**14,820**	–
Issue of shares from exercise of share options	**410**	5,549
Repayment to a fellow subsidiary	**–**	(40,000)
Repayment of obligations under finance leases	**–**	(1,973)
Repayment to a shareholder	**–**	(512)
Proceeds from issue of shares by subsidiaries to minority shareholders, net of transaction costs of approximately HK$13,075,000	**–**	467,519
Proceeds from exercise of share options of subsidiaries	**–**	25,769
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(129,272)**	396,644
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(278,695)**	418,252
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**463,561**	34,705
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**10,515**	10,604
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**195,381**	463,561

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 7 (Amendments)	Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[4]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[5]
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[6]
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners[3]
HK(IFRIC) – Int 18	Transfers of Assets from Customers[7]

[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 ending on or after 30 June 2009
[5] Effective for annual periods beginning on or after 1 July 2008
[6] Effective for annual periods beginning on or after 1 October 2008
[7] 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 23 (Revised) will eliminate the option to expense all borrowings costs when incurred. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. The directors of the Company (the "Directors") anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

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 litigations

The management of the Group monitor any litigation against the Group closely. Provision for litigations 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 litigations has been made. Details are set out in note 29.

Estimated impairment of finance lease receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows and fair value of the pledged assets 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 (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition) or the fair value of the pledged assets less cost to sell. Where the actual future cash flows or the net selling price of the pledged assets are less than expected, a material impairment loss may arise.

As at 31 December 2008, the carrying amount of finance lease receivables is approximately HK$1,290,308,000 (2007: HK$1,373,873,000).

3. REVENUE

Revenue represents finance lease income, the amounts received and receivable for goods sold by the Group to outside customers (less sales related taxes, returns and trade discounts), films and television programme distribution income, computer graphic ("CG") creation and production services, revenue arising on training fee, property leasing and management fee income, 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.

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

	2008	2007
	HK$'000	*HK$'000*
Finance lease income	**128,467**	16,771
Sales of goods	**51,984**	180,715
Films and television programme distribution income	**52,832**	13,839
Revenue from contracts for CG creation and production	**42,542**	51,300
Training fee	**14,420**	10,963
Property leasing and management fee income	**6,702**	7,568
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
	308,181	284,303

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

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments

For management purposes, the Group is organised into five operating divisions – property leasing and building management services, digital content distribution and exhibitions, CG creation and films and television programme production, CG training courses and finance leasing. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these divisions is presented below:

For the year ended 31 December 2008

	Property leasing and building management services *HK$'000*	Digital content distribution and exhibitions *HK$'000*	CG creation and films and television programme production *HK$'000*	CG training courses *HK$'000*	Finance leasing *HK$'000*	Consolidated *HK$'000*
REVENUE	6,702	60,194	98,398	14,420	128,467	308,181
RESULT	(10,883)	(77,108)	775	2,510	20,369	(64,337)
Unallocated corporate income						5,751
Unallocated corporate expenses						(90,720)
Finance costs						(6,046)
Share of loss of an associate						(857)
Loss before tax						(156,209)
Income tax expense						(1,540)
Loss for the year						(157,749)

At 31 December 2008

	Property leasing and building management services	Digital content distribution and exhibitions	CG creation and films and television programme production	CG training courses	Finance leasing	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
BALANCE SHEET						
Assets						
Segment assets	146,225	374,957	51,629	4,267	1,577,527	2,154,605
Interests in associates						21,856
Held-for-trading investments						85,668
Unallocated corporate assets						156,170
Consolidated total assets						2,418,299
Liabilities						
Segment liabilities	4,906	32,253	43,742	4,864	1,282,509	1,368,274
Borrowings						171,199
Unallocated corporate liabilities						7,652
Consolidated total liabilities						1,547,125

For the year ended 31 December 2007

	Property leasing and building management services *HK$'000*	Digital content distribution and exhibitions *HK$'000*	CG creation and films and television programme production *HK$'000*	CG training courses *HK$'000*	Finance leasing *HK$'000*	Consolidated *HK$'000*
REVENUE	7,568	183,862	65,139	10,963	16,771	284,303
RESULT	37,464	4,522	15,967	1,987	488	60,428
Unallocated corporate income						41,068
Unallocated corporate expenses						(93,941)
Finance costs						(4,873)
Share of results of associates						7,255
Discount on acquisition of additional interest in a subsidiary						1,342
Gain on disposal and dilution of interests in subsidiaries						375,680
Gain on disposal of interest in a jointly controlled entity						61,039
Profit before tax						447,998
Income tax expense						(6,785)
Profit for the year						441,213

At 31 December 2007

	Property leasing and building management services *HK$'000*	Digital content distribution and exhibitions *HK$'000*	CG creation and films and television programme production *HK$'000*	CG training courses *HK$'000*	Finance leasing *HK$'000*	Consolidated *HK$'000*
BALANCE SHEET						
Assets						
Segment assets	149,229	259,886	80,791	6,296	1,554,963	2,051,165
Interests in associates						424
Amount due from an associate						1,053
Held-for-trading investments						29,846
Unallocated corporate assets						483,903
Consolidated total assets						2,566,391
Liabilities						
Segment liabilities	1,574	24,678	27,841	6,405	1,443,897	1,504,395
Borrowings						78,822
Unallocated corporate liabilities						14,818
Consolidated total liabilities						1,598,035

(b) Geographical segments

The Group's five 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 films and television programme production centres, CG training facilities and finance leasing are located in the PRC. For property leasing and building management services, the business is mainly located in Hong Kong.

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

	2008 ***HK$'000***	2007 *HK$'000*
The PRC	**236,822**	173,837
The United States	**36,434**	68,073
Europe	**12,076**	12,962
Other regions	**22,849**	29,431
	308,181	284,303

5. OTHER INCOME

	2008	2007
	HK$'000	*HK$'000*
Interest income from loans and receivables	**5,190**	14,084
Dividend income from held-for-trading investments	**3,118**	144
Waiver of interest payable on other loan	**–**	4,156
Waiver of rental payable to a landlord	**–**	3,228
Others	**3,727**	1,757
	12,035	23,369

6. ADMINISTRATIVE EXPENSES

Included in administrative expenses for the year ended 31 December 2008 are expenses of recognition of equity-settled share-based payments of approximately HK$10,869,000 (2007: HK$72,351,000) for the share options granted during the year and impairment loss in respect of goodwill of approximately HK$10,397,000 (2007: Nil).

7. FINANCE COSTS

	2008	2007
	HK$'000	*HK$'000*
Interest on bank and other borrowings wholly repayable within five years	**5,047**	4,858
Interest on bank and other borrowings not wholly repayable within five years	**335**	–
Other finance costs	**664**	15
	6,046	4,873

8. OTHER EXPENSE

Other expense for the year ended 31 December 2008 represents a 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.

9. INCOME TAX EXPENSE

	2008	2007
	HK$'000	*HK$'000*
The income tax expense comprises:		
Current tax:		
Hong Kong		
Provision for the year	**63**	1,479
Overprovision in prior year	**(431)**	–
	(368)	1,479
PRC Enterprise Income Tax ("EIT")		
Provision for the year	**4,401**	5,352
Overprovision in prior year	**(2,246)**	–
	2,155	5,352
	1,787	6,831
Deferred taxation:		
Current year	**(247)**	(46)
	1,540	6,785

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 18% 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%).

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 the current financial year.

10. (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' remuneration:		
– Salaries, wages and other benefits	**94,028**	76,697
– Retirement benefit scheme contributions	**2,905**	1,814
– Share-based payments	**10,869**	72,351
Total staff costs	**107,802**	150,862
Less: amounts included in production work in progress	**(10,526)**	(13,612)
	97,276	137,250
Allowance for bad and doubtful debts	**6,386**	230
Allowance for inventories	**1,031**	–
Amortisation of intangible asset (included in cost of sales)	**28,491**	–
Amortisation of prepaid lease payments	**161**	99
Auditor's remuneration	**3,433**	3,252
Cost of inventories recognised as an expense	**35,574**	137,819
Depreciation of property, plant and equipment	**10,329**	4,482
Less: amounts included in production work in progress	**(1,904)**	(2,049)
government grants	**(568)**	–
	7,857	2,433
Impairment loss in respect of goodwill	**10,397**	–
Loss on disposal of property, plant and equipment	**50**	119
Minimum lease payments under operating leases for land and buildings	**7,992**	6,008
Research and development costs	**2,843**	4,432
and after crediting:		
Gain on disposal of intangible asset	**104**	–
Gross rents from investment properties	**6,702**	7,568
Less: outgoings	**(580)**	(579)
	6,122	6,989

11. (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 (loss) earnings per share ((loss) profit for the year attributable to equity holders of the Company)	**(119,446)**	425,661
Effect of dilutive potential ordinary shares:		
– adjustment to the share of profits of subsidiaries based on dilution of their earnings per share	**–**	(740)
(Loss) earnings for the purposes of diluted (loss) earnings per share	**(119,446)**	424,921
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	**1,151,206**	1,144,518
Effect of dilutive potential ordinary shares:		
– share options	**–**	36,267
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**1,151,206**	1,180,785

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

12. PROPERTY, PLANT AND EQUIPMENT

	Carrying values
	HK$'000
At 1 January 2008	47,634
Exchange realignment	2,585
Additions	20,670
Disposals	(50)
Depreciation	(10,329)
At 31 December 2008	60,510

13. PREPAID LEASE PAYMENTS

	2008	2007
	HK$'000	*HK$'000*
The Group's prepaid lease payments comprise:		
Long-term leasehold land in Hong Kong	**1,619**	1,650
Medium-term leasehold land in the PRC	**6,049**	5,727
	7,668	7,377
Analysed for reporting purposes as:		
Current asset	**156**	147
Non-current asset	**7,512**	7,230
	7,668	7,377

14. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2008	141,160
Net decrease in fair value recognised in the consolidated income statement	(15,960)
At 31 December 2008	125,200

15. GOODWILL

	HK$'000
COST	
At 1 January 2008 and 31 December 2008	254,789
IMPAIRMENT	
At 1 January 2008	191,457
Impairment loss recognised	10,397
At 31 December 2008	201,854
CARRYING VALUE	
At 31 December 2008	52,935

As disclosed in note 30(b), the Group has entered into a conditional agreement with CFGC 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 digital cinema equipment installed by the Group. Based on the terms of this disposal, the fair value less cost to sell in relation to this cash generating unit ("CGU") is less than the carrying amount of the CGU as at year end. The management has therefore determined that goodwill associated with the Group's digital content distribution and exhibitions division was impaired and impairment loss was recognised for the entire carrying amount of approximately HK$10,397,000 (2007: Nil).

16. INTANGIBLE ASSET

	Carrying value
	HK$'000
As at 1 January 2008	221,545
Exchange realignment	13,834
Acquisition	38,369
Disposal	(1,146)
Amortisation	(28,491)
As 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 30(b).

17. INTERESTS IN ASSOCIATES

	2008	2007
	HK$'000	*HK$'000*
Cost of investment in unlisted associates	**22,586**	1,502
Share of post-acquisition translation reserve	**1,205**	–
Share of post-acquisition losses	**(1,155)**	(298)
Less: Impairment loss recognised	**(780)**	(780)
	21,856	424

Details of the Group's principal associates at 31 December 2008 and 2007 are as follows:

Name of entity	Form of business structure	Place of incorporation/ establishment and operation	Proportion of nominal of value issued share capital/ registered capital held by the Group	Proportion of voting power held	Principal activities
Top Pearl International Development Ltd.	Incorporated	BVI/The PRC	50%	50%	Property development
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/ The PRC	49%	40%	Deployment of digital cinema network and related business

18. ADVANCES

	2008	2007
	HK$'000	*HK$'000*
Advances paid for:		
Agreement for a term loan facility and call options *(note 30(a))*	**68,182**	–
Agreements for acquisition of non-performing loans and interests *(note 30(c))*	**32,136**	–
Agreement for acquisition of additional interest in a subsidiary *(Note)*	**26,229**	–
	126,547	–

Note: On 20 August 2008, the Group entered into an agreement with the minority shareholder of South China International Leasing Company Limited ("South China Leasing"), a subsidiary of the Company, pursuant to which the minority shareholder agreed to transfer its 20% equity interest in the registered capital of South China Leasing to the Group for a consideration of RMB31,755,150 (equivalent to approximately HK$36,085,000). This acquisition is subject to the approval by the authority in the PRC and South China Leasing having received its new business license. Details of this acquisition are set out in the circular of the Company dated 3 September 2008.

As at 31 December 2008, the amount of advance paid and direct transaction costs incurred in relation to the acquisition of additional interest in a subsidiary amounted to approximately HK$26,229,000.

19. FINANCE LEASE RECEIVABLES

	Minimum lease receipts		Present value of minimum lease receipts	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Finance lease receivables comprise:				
Within one year	**543,315**	453,221	**463,170**	344,404
In more than one year but not more than two years	**530,174**	445,482	**492,351**	367,104
In more than two years but not more than three years	**209,746**	465,960	**193,068**	427,555
In more than three years but not more than four years	**115,246**	162,768	**108,464**	147,825
In more than four years but not more than five years	**33,278**	77,156	**32,409**	71,792
More than five years	**943**	15,799	**846**	15,193
	1,432,702	1,620,386	**1,290,308**	1,373,873
Less: Unearned finance income	**(142,394)**	(246,513)	**N/A**	N/A
Present value of minimum lease receipts	**1,290,308**	1,373,873	**1,290,308**	1,373,873
Analysed as:				
Current finance lease receivables (receivable within 12 months)			**463,170**	344,404
Non-current finance lease receivables (receivable after 12 months)			**827,138**	1,029,469
			1,290,308	1,373,873

20. ENTRUSTED LOAN RECEIVABLES

During the year, two of the PRC subsidiaries of the Company entered into entrusted loan arrangements with banks, in which the subsidiaries acted as the entrusting parties and the banks acted as the lenders to provide funding to specified borrowers. Details of the entrusted loan receivables are as follows:

	2008	2007
	HK$'000	*HK$'000*
Entrusted loan receivables comprise:		
Within one year	**26,879**	–
In more than one year but not more than two years	**25,272**	–
In more than two years but not more than three years	**227**	–
	52,378	–
Less: Amounts due within one year shown under current assets	**(26,879)**	–
Amounts due after one year	**25,499**	–

21. INVENTORIES

	2008	2007
	HK$'000	*HK$'000*
Raw materials	**6,345**	4,395
Finished goods	**15,559**	21,386
	21,904	25,781

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

The following is 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

23. TRADE RECEIVABLES

The Group allows an average credit period of 90 days to its trade customers. 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*
0 – 90 days	**8,302**	17,179
91 – 180 days	**8,527**	1,053
Over 180 days	**3,695**	811
	20,524	19,043

24. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments as at 31 December 2008 and 2007 represent equity securities as follows:

	2008	2007
	HK$'000	*HK$'000*
Listed in the PRC	**73,588**	8,864
Listed in Hong Kong	**12,080**	20,982
	85,668	29,846

The fair values of the held-for-trading investments are determined based on the quoted market bid prices available on the relevant exchanges.

25. TRADE PAYABLES

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

	2008	2007
	HK$'000	*HK$'000*
0 – 90 days	**6,568**	4,802
91 – 180 days	**76**	344
Over 180 days	**1,473**	–
	8,117	5,146

26. BORROWINGS

	2008	2007
	HK$'000	*HK$'000*
Bank loans	**1,357,296**	1,412,688
Other loans	**–**	4,682
	1,357,296	1,417,370
Secured	**1,357,296**	1,412,688
Unsecured	**–**	4,682
	1,357,296	1,417,370
Carrying amount repayable:		
On demand or within one year	**427,048**	362,267
More than one year, but not exceeding two years	**568,735**	390,048
More than two years, but not exceeding three years	**181,320**	436,334
More than three years, but not exceeding four years	**100,915**	147,004
More than four years, but not exceeding five years	**33,454**	81,717
More than five years	**45,824**	–
	1,357,296	1,417,370
Less: Amounts due within one year shown under current liabilities	**(427,048)**	(362,267)
Amounts due after one year	**930,248**	1,055,103

27. SHARE CAPITAL

	2008 Number of shares	**2008** Nominal value *HK$'000*	2007 Number of shares	2007 Nominal value *HK$'000*
Ordinary shares of HK$0.01 each				
Authorised:				
At 1 January and 31 December	**2,000,000,000**	**20,000**	2,000,000,000	20,000
Issued and fully paid:				
At 1 January	**1,150,392,469**	**11,504**	1,136,856,469	11,369
Exercise of share options	**1,000,000**	**10**	13,536,000	135
At 31 December	**1,151,392,469**	**11,514**	1,150,392,469	11,504

28. CAPITAL COMMITMENTS

	2008 *HK$'000*	2007 *HK$'000*
Capital expenditure contracted for but not provided 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

In addition, as disclosed in note 18, the Group entered into an agreement with the minority shareholder of South China Leasing to acquire the remaining 20% equity interest in the registered capital of South China Leasing, which will give rise to a future payment of approximately HK$9,856,000 (2007: Nil) subsequent to the approval by the authority in PRC and South China Leasing having received its new business licence.

29. LITIGATIONS

(i) On 14 May 2003, GDC Entertainment Limited ("GDC Entertainment"), a 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.

(ii) In April 2008, a former employee of the Company filed a claim to the District Court of Hong Kong (the "District Court") against the Company for an alleged disability discrimination to him and claimed for a compensation of approximately HK$6,659,000. In May 2008, the Company filed a defence to the District Court.

The legal advisor of the Company to the above District Court's case advised that the Company has an arguable defence to his claim and the Directors are of the opinion that settlement of the claim is remote, therefore no provision for any potential liability has been made in the consolidated financial statements.

30. POST BALANCE SHEET EVENTS

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

(a) On 23 December 2008, GDC Holdings Limited ("GDC Holdings"), a 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; and (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 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 an advance in the consolidated balance sheet.

The transaction was subsequently approved by the shareholders of the Company at the Special General Meeting of the Company held 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 of 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 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 the shareholders of the Company at the Special General Meeting of the Company held 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 30 January 2009, the Group entered into two agreements with an independent third party pursuant to which the Group would acquire two non-performing loans and interests accrued thereon with carrying amounts of approximately RMB41.5 million (equivalent to approximately HK$47.1 million) and RMB66.5 million (equivalent to approximately HK$75.6 million) for considerations of RMB9 million (equivalent to approximately HK$10.2 million) and RMB19 million (equivalent to approximately HK$21.6 million), respectively. Details of which are set out in the announcement of the Company dated 4 February 2009.

As at 31 December 2008, the Group advanced a sum of approximately RMB28 million (equivalent to approximately HK$32 million) to the vendor of the non-performing loans, 中國東方資產管理公司石家莊辦事處, an assets management company as advances for the agreements. The sum was recognised as advances in the consolidated balance sheet.

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

(d) On 2 March 2009, Shougang Holding (Hong Kong) Limited, the controlling shareholder of the Company, and Max Same Investment Limited, a company incorporated in Hong Kong which is a wholly owned subsidiary of Cheung Kong (Holdings) Limited and is interested in approximately 7.94% of the issued share capital of the Company 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).

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$308,181,000 when compared with that of approximately HK$284,303,000 for the year 2007, represented an increase of approximately 8%. The increase was mainly attributable to consolidation of full year finance lease income of approximately HK$128,467,000 (2007: HK$16,771,000) during this year upon completion of the acquisition of further 30% effective interest in South China Leasing in November 2007 and increase in films and television programme distribution income by approximately HK$38,993,000 to approximately HK$52,832,000 as a result of more television series being sold, netting off with decrease in sales of goods and revenue from contracts for CG creation and production by approximately HK$128,731,000 and HK$8,758,000, respectively.

During this year, the Group's sales of digital cinema equipment amounted to approximately HK$51,984,000, decreased by approximately 71%. However, excluding the sales of digital cinema equipment for deployment of digital cinema network in the PRC co-operated by CFGC and the Group (the "PRC Digital Cinema Project") in exchange for intangible asset for the year 2007 of HK$132,912,000, the sales increased by approximately HK$4,181,000 or approximately 9%, which was mainly due to more orders received for digital 3D cinema equipment during this 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". The Group's revenue from contracts for CG creation and production amounted to approximately HK$42,542,000, decreased by approximately 17% comparing with that for the year 2007, as a result of postponement of CG production by several CG clients during the first half of this year.

Cost of sales for the year ended 31 December 2008 amounted to approximately HK$262,550,000 which, comparing with that of approximately HK$193,371,000 for the year 2007, represented an increase of approximately 36%. The increase was mainly due to consolidation of full year cost of the finance leasing division of approximately HK$105,166,000 during this year upon completion of the acquisition of further 30% effective interest in South China Leasing in November 2007 and amortisation of intangible asset for the PRC Digital Cinema Project of approximately HK$28,491,000.

The Group made a gross profit of approximately HK$45,631,000 for the year ended 31 December 2008, representing a gross profit margin of approximately 15%. Excluding royalty income from share of box office receipts and the mentioned amortisation of intangible asset from the PRC Digital Cinema Project, such adjusted gross profit margin for this year was approximately 23%. Comparing with the gross profit margin of approximately 32% for the year 2007, the decrease was mainly due to the finance leasing division was operated at a relatively lower margin of approximately 18%.

Other income for the year ended 31 December 2008 amounted to approximately HK$12,035,000 (2007: HK$23,369,000), representing a decrease of approximately 49%. The decrease was mainly due to the amount for the year 2007 included a 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$8,894,000 during this year.

Administrative expenses for the year ended 31 December 2008 amounted to approximately HK$128,233,000 (2007: HK$156,036,000), representing a decrease of approximately 18%. However, excluding the recognition of equity-settled share-based payments of approximately HK$10,869,000 (2007: HK$72,351,000) for the share options granted during this year, administrative expenses increased by approximately 40%, which was mainly attributable to recognition of impairment loss in respect of goodwill of approximately HK$10,397,000, consolidation of full year administrative expenses of the finance leasing division and growth in operations of other divisions of the Group.

Other expense of approximately HK$22,202,000 (2007: Nil) 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.

The discount on acquisition of additional interest in a subsidiary for the year ended 31 December 2007 of 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 disposal and dilution of interests in subsidiaries of approximately HK$375,680,000 for the year ended 31 December 2007 included (i) approximately HK$335,550,000 from the gain on disposal and dilution of the Group's interest in Global Digital Creations Holdings Limited ("GDC"), a subsidiary of the Company with its shares listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited from issue of approximately 378,000,000 new shares in total by GDC through completion of one subscription and three top-up placing and subscriptions and exercise of its share options during that year and disposal of approximately 44,106,000 shares of GDC by the Group; (ii) approximately HK$40,295,000 from the gain on dilution of the Group's interest in 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 (equivalent to approximately HK$50,570,000) in January 2007; and (iii) 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.

Gain on disposal of interest in a jointly controlled entity of approximately HK$61,039,000 for the year ended 31 December 2007 represented the gain on disposal of the Group's 44% interest in 北京東直門國際公寓有限公司 Beijing Dongzhimen International Apartment Co. Ltd. for a consideration of RMB170,000,000. The disposal was approved by the independent shareholders of the Company in January 2007 and was completed in June 2007 upon receipt of approval from the relevant authorities in the PRC.

Overall, the Group recorded loss of approximately HK$119,446,000 for the year ended 31 December 2008 attributable to equity holders of the Company, when compared with that profit of approximately HK$425,661,000 for the year 2007.

BUSINESS REVIEW AND OUTLOOK

Cultural Recreations Content Provision and Distribution

Digital content distribution and exhibitions

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

In anticipation of the imminent digital cinema transition in the United States, the Group signed with 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 "Second Phase" deployment program over the next three years.

In Asia, the Group has reached separate non-exclusive VPF agreements with four 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 production 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, prevailing conditions in the credit market and loss since its deployment of the digital cinema equipment, 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 to be received would provide funding for the Group's development in its existing business divisions and the media advertising business in the PRC.

CG creation and films and television programme production

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

Besides, the Group is actively developing new clients and has secured several CG 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 CG orders on hand, the production capacity of CG creation and production is already fully occupied up to the fourth quarter of the year 2009.

To deal with the expected growth in CG orders, the Group established a subsidiary in Chongqing, its staff recruitment and installation of production facilities have been completed. The production capacity there was formed during the fourth quarter of this year 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 this year and received support from the local municipal government on the distribution and promotion. The television series has also been released on popular channels in the United States, France, Germany and Australia, and had received positive audience share and media responses. The success of this co-production globally made the Group won recognition in the industry and increased confidence from international production companies to work with the Group not only limited to production, but also extend to distribution and other business. The Group will actively develop its original content creation business through different forms, including sole investment and co-production, in order to generate revenue from sale of derivatives, distribution and intellectual property sales in addition to the existing CG creation and production revenue.

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

On the other hand, the Group would also focus at producing television series with relatively reliable return. During this year, the Group produced four television series in the PRC while production of another two series was under planning.

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 this 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.

Financial Service Provision

Financial investment

Facing the dynamic market opportunities and economic environment in the PRC, merger and acquisition, reformation and restructuring are expected to be occurred in many different industries, the Group would proactively grasp the development opportunities by providing clients consultancy service or investing in high potential businesses, such as finance and assets investment and management, funds and trust.

Referring to announcements of the Company dated 12 June 2008 and 14 August 2008, and circular of the Company dated 3 September 2008 relating to the development of finance and assets investment and management business in the PRC between the Group and China Everbright Investment Management Corporation ("China Everbright"), the 90:10 joint venture company set up by the Group and a subsidiary of China Everbright in Tianjin entered into two agreements on 30 January 2009 with an independent third party pursuant to which the Group would acquire two non-performing loans and interests accrued thereon with aggregate carrying amounts of approximately RMB108 million (equivalent to approximately HK$122.7 million) for a total consideration of RMB28 million (equivalent to approximately HK$31.8 million), details of which are set out in the announcement of the Company dated 4 February 2009. In view of the good prospect of the borrowers in the distilling business in the PRC and sufficient collaterals placed over its acquisition costs, the Group considers that this acquisition can generate a reasonable return to the Group and is a good opportunity for the Group to establish a presence in the finance and assets investment and management business which has good development potential in the PRC.

Finance leasing

During the year ended 31 December 2008, the amount of contracts newly entered by the finance leasing division amounted to approximately HK$210.2 million, revenue and segment result from this division amounted to approximately HK$128.5 million and HK$20.4 million, respectively.

In view of the global economic downturn, the central government in the PRC introduced a number of measures to stimulate its economic growth, the economic growth of the PRC would continue despite some adjustments in short-term. In the meantime, the Group would maintain and further improve its credit procedures for both existing and new finance leases in order to minimise the risk, if any. As at 31 December 2008, all outstanding finance lease receivables due from the finance lease borrowers either had good credit quality according to past repayment history or adequate collateral has been held with estimated fair values in excess of the receivables.

Once the global economy recover, economy of the PRC will bloom and the finance leasing business in the PRC will further expand, it is the intention of the Group to further develop the finance leasing business of South China Leasing. The Company announced on 21 August 2008 that the Group would acquire the remaining 20% equity interest in the registered capital of South China Leasing from the minority shareholder for a consideration of approximately RMB31,800,000. The Group considered that this acquisition would enable the Group to increase its participation in this business and seize the opportunities presented in this business in the PRC without the hindrances of the involvement of a minority shareholder.

Property Investment and Management

Under the shadow of the global financial turmoil, the property market in Hong Kong faced uncertainties during this year, property leasing and building management fee income for the year ended 31 December 2008 decreased by approximately 11% and the resalable value of the Group's investment properties have also been declined comparing with the year 2007. However, the Group still received stable cash flow from rental income and expected that the investment properties would continue to contribute stable cash return in the foreseeable future.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2008, the Group had bank balances and cash of approximately HK$195.4 million (2007: HK$463.6 million), restricted bank deposits of approximately HK$66.1 million (2007: HK$72.5 million) and pledged bank deposits of approximately HK$3.5 million (2007: HK$8.9 million) which were mainly denominated in Hong Kong dollars, Renminbi and United States dollars. The decrease was mainly from advances paid for Guangdong television advertising project, acquisition of non-performing loans and interests and acquisition of additional 20% equity interest in South China Leasing in aggregate of approximately HK$126.5 million, increase in entrusted loan receivables of approximately HK$52.4 million, capital contribution to an associate of approximately HK$21.1 million and net repayment of borrowings of approximately HK$144.0 million.

As at 31 December 2008, the Group's borrowings amounted to approximately HK$1,357.3 million, of which approximately HK$427.0 million were repayable within twelve months from 31 December 2008 and approximately HK$930.3 million were repayable after twelve months from 31 December 2008. All loans bore interest at market rates.

As at 31 December 2008, gearing ratio (calculated as borrowings net of bank balances and cash, restricted bank deposits and pledged bank deposits divided by total equity) was approximately 125% (2007: 90%). As at 31 December 2008, the Group had current ratio of approximately 160% (2007: 212%) based on current assets of approximately HK$860.3 million and current liabilities of approximately HK$539.2 million. The Group's leverage decreased was mainly attributable to loss for the year, advances paid, increase in entrusted loan receivables, capital contribution to an associate and net repayment of borrowings.

CAPITAL STRUCTURE

The equity attributable to equity holders of the Company amounted to approximately HK$551.6 million as at 31 December 2008 (2007: HK$635.8 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$119.4 million, netting off with the exchange differences on translation of foreign operations of approximately HK$23.4 million and recognition of equity-settled share-based payments for the share options granted by the Company of approximately HK$10.9 million.

MATERIAL ACQUISITION, DISPOSALS AND SIGNIFICANT INVESTMENT

Other than the capital injection to an associate and advance paid for acquisition of additional 20% equity interest in South China Leasing as mentioned in notes 17 and 18, respectively, 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 has the following charge on assets:

(i) The Group's investment properties and leasehold land and building with an aggregate carrying value of approximately HK$156.4 million were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK$171.2 million.

(ii) The Group's finance lease receivables with a carrying value of approximately HK$1,258.9 million were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK$1,186.1 million.

(iii) There were bank deposits of approximately HK$66.1 million restricted for the repayment of bank borrowings, which will be released upon full settlement of the relevant bank borrowings.

(iv) The Group pledged deposits amounted to approximately HK$3.5 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

The normal operations and investments of the Group are mainly in Hong Kong and the PRC, with revenue and expenditure denominated in Hong Kong dollars, Renminbi and United States 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 29 about litigations proceeding, the Group had no significant contingent liabilities as at 31 December 2008.

EMPLOYEES

As at 31 December 2008, the Group employed 699 (2007: 492) full time employees (excluding those under the payroll of associates of the Group). 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. Remuneration packages are reviewed either annually or by special increment.

During the year ended 31 December 2008, 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 of Hong Kong Limited (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 14 of the Rules Governing the Listing of Securities on the Stock Exchange during the financial year ended 31 December 2008, except for the following deviations:

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

  In order to comply with the applicable laws of Bermuda, the Chairman and the Managing Director are not subject to retirement by rotation under the bye-laws of the Company. However, they will voluntarily retire and offer themselves for re-election at least once every three years in order to comply with the second part of code provision A.4.2 of the Code.

– Under the first part of code provision E.1.2 of the Code, the chairman of the board should attend the annual general meeting and arrange for the chairman of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairman of such committees, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at the annual general meeting.

  The Chairman of the Board had not attended the annual general meeting of the Company held on 6 June 2008 (the "Meeting") as he had another business engagement. The Vice Chairman and Managing Director of the Company, who took the chair of the Meeting, together with other members of the Board and the Audit, Remuneration and Nomination Committees attended the Meeting. The Company considers that the members of the Board and the Audit, Remuneration and Nomination Committees who attended the Meeting were already of sufficient calibre and number for answering questions at the Meeting.

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

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
Vice Chairman and Managing Director

Hong Kong, 9 April 2009

As at the date of this announcement, the Board comprises Mr. Wang Qinghai (Chairman), Mr. Cao Zhong (Vice Chairman and Managing Director), Mr. Chen Zheng (Managing Director of Operations), Mr. Wang Tian (Deputy Managing Director), Mr. Yuan Wenxin (Deputy Managing Director), Mr. Leung Shun Sang, Tony (Non-executive Director), Mr. Tam King Ching, Kenny (Independent Non-executive Director), Ms. Zhou Jianhong (Independent Non-executive Director) and Mr. Yip Kin Man, Raymond (Independent Non-executive Director).

* *For identification purpose only*