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首長四方（集團）有限公司*
SHOUGANG CONCORD GRAND (GROUP) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 730)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

INTERIM RESULTS

The board of directors (the “Board”) of Shougang Concord Grand (Group) Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2010. These interim results have been reviewed by the Company’s Audit Committee and its Auditor.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

		Six months ended 30 June	
	<i>NOTES</i>	2010 HK\$’000 (unaudited)	2009 HK\$’000 (unaudited)
Continuing operations			
Revenue	3	288,029	214,001
Cost of sales		(165,833)	(166,048)
Gross profit		122,196	47,953
Interest income from entrusted loan receivables		193	2,068
Other income	4	7,483	8,469
Distribution costs and selling expenses		(5,839)	(4,603)
Administrative expenses		(49,517)	(53,549)
Impairment loss on finance lease receivables	14	(12,304)	–
Increase in fair value of investment properties		8,750	5,950
Changes in fair value of held-for-trading investments		(1,770)	12,417

		Six months ended 30 June	
	<i>NOTES</i>	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Finance costs	5	(1,766)	(1,904)
Share of loss of an associate		(19)	(289)
Discount on acquisition of additional interest in a subsidiary		<u>—</u>	<u>2,154</u>
Profit before tax		67,407	18,666
Income tax expense	7	<u>(12,269)</u>	<u>(5,212)</u>
Profit for the period from continuing operations		55,138	13,454
Discontinued operations			
Profit (loss) for the period from discontinued operations	6	<u>814</u>	<u>(12,149)</u>
Profit for the period	8	55,952	1,305
Other comprehensive income:			
Exchange differences on translation of foreign operations		<u>6,927</u>	<u>(56)</u>
Total comprehensive income for the period		<u>62,879</u>	<u>1,249</u>
Profit for the period attributable to:			
Owners of the Company		11,790	941
Non-controlling interests		<u>44,162</u>	<u>364</u>
		<u>55,952</u>	<u>1,305</u>
Total comprehensive income for the period attributable to:			
Owners of the Company		17,042	922
Non-controlling interests		<u>45,837</u>	<u>327</u>
		<u>62,879</u>	<u>1,249</u>
Earnings per share	9		
From continuing and discontinued operations			
Basic (HK cents)		<u>1.02</u>	<u>0.08</u>
Diluted (HK cents)		<u>1.01</u>	<u>0.08</u>
From continuing operations			
Basic (HK cents)		<u>0.95</u>	<u>0.94</u>
Diluted (HK cents)		<u>0.94</u>	<u>0.94</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2010

		30 June 2010 HK\$'000 (unaudited)	31 December 2009 HK\$'000 (audited)
	NOTES		
Non-current assets			
Property, plant and equipment	10	227,556	144,696
Prepaid lease payments		5,812	5,799
Investment properties	11	245,673	152,450
Goodwill		52,935	52,935
Available-for-sale investments	12	5,403	37,477
Interests in associates		21,790	21,569
Other receivables	13	26,181	20,657
Finance lease receivables	14	343,524	429,347
Entrusted loan receivables	15	–	227
Restricted bank deposits		10,934	56,958
Pledged bank deposit		1,978	1,956
		<u>941,786</u>	<u>924,071</u>
Current assets			
Inventories		43,363	34,947
Production work in progress		2,505	–
Amounts due from customers for contract work		7,807	5,795
Finance lease receivables	14	211,352	464,519
Entrusted loan receivables	15	1,563	25,873
Trade receivables	16	78,577	41,477
Prepayments, deposits and other receivables	13	161,539	93,746
Prepaid lease payments		119	125
Convertible loan receivable	17	10,582	119,255
Held-for-trading investments		15,849	25,420
Pledged bank deposit		42,052	–
Bank balances and cash		576,981	372,847
		<u>1,152,289</u>	<u>1,184,004</u>
Current liabilities			
Amounts due to customers for contract work		–	366
Trade payables	18	47,638	32,969
Other payables and accruals	19	165,671	58,316
Advance from customers		59,022	43,427
Rental and management fee deposits received		1,250	1,248
Amount due to an associate	20	21,114	20,874
Tax liabilities		20,914	19,526
Security deposits received		–	50,168
Borrowings	21	333,770	539,326
		<u>649,379</u>	<u>766,220</u>
Net current assets		<u>502,910</u>	<u>417,784</u>
Total assets less current liabilities		<u><u>1,444,696</u></u>	<u><u>1,341,855</u></u>

		30 June 2010 HK\$'000 (unaudited)	31 December 2009 HK\$'000 (audited)
	<i>NOTES</i>		
Capital and reserves			
Share capital	22	11,522	11,514
Retained earnings		473,484	438,708
Other reserves		147,298	158,773
Equity attributable to owners of the Company		632,304	608,995
Non-controlling interests		344,479	288,377
Total equity		976,783	897,372
Non-current liabilities			
Advance from customers		4,961	7,754
Borrowings	21	450,810	425,053
Security deposits received		10,345	10,000
Deferred tax liabilities		1,797	1,676
		467,913	444,483
Total equity and liabilities		1,444,696	1,341,855

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	Attributable to owners of the Company									Attributable to non-controlling interests				
	Share capital	Share premium	Capital contribution reserve	Contributed surplus reserve	Translation reserve	Share options reserve	Statutory reserve	Special reserve	Retained earnings	Subtotal	Share options reserve of a subsidiary	Non-controlling interests	Subtotal	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2009 (audited)	11,514	559	445	115,576	40,853	23,504	-	(23,496)	382,689	551,644	54,603	264,927	319,530	871,174
Exchange differences on translation of foreign operations	-	-	-	-	(19)	-	-	-	-	(19)	-	(37)	(37)	(56)
Profit for the period	-	-	-	-	-	-	-	-	941	941	-	364	364	1,305
Total comprehensive income for the period	-	-	-	-	(19)	-	-	-	941	922	-	327	327	1,249
Cancellation of share options granted by subsidiaries	-	-	-	-	-	-	-	-	5	5	(5)	-	(5)	-
Capital contribution from a non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	5,816	5,816	5,816
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(38,332)	(38,332)	(38,332)
At 30 June 2009 (unaudited)	11,514	559	445	115,576	40,834	23,504	-	(23,496)	383,635	552,571	54,598	232,738	287,336	839,907
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	-	-	-	-	37,755	37,755	-	19,479	19,479	57,234
Total comprehensive income for the period	-	-	-	-	-	-	-	-	37,755	37,755	-	19,479	19,479	57,234
Exercise of share option of a subsidiary	-	-	-	-	-	-	-	-	-	-	(6)	237	231	231
Transfer to statutory reserve	-	-	-	-	-	-	2,879	-	(5,682)	(2,803)	-	2,803	2,803	-
Lapse/cancellation of share options	-	-	-	-	-	(1,528)	-	-	1,528	-	-	-	-	-
Cancellation of share options granted by subsidiaries	-	-	-	-	-	-	-	-	21,472	21,472	(21,472)	-	(21,472)	-
At 31 December 2009 and 1 January 2010 (audited)	11,514	559	445	115,576	40,834	21,976	2,879	(23,496)	438,708	608,995	33,120	255,257	288,377	897,372
Exchange differences on translation of foreign operations	-	-	-	-	5,252	-	-	-	-	5,252	-	1,675	1,675	6,927
Profit for the period	-	-	-	-	-	-	-	-	11,790	11,790	-	44,162	44,162	55,952
Total comprehensive income for the period	-	-	-	-	5,252	-	-	-	11,790	17,042	-	45,837	45,837	62,879
Exercise of share options	8	448	-	-	-	(127)	-	-	-	329	-	-	-	329
Cancellation of share options granted by subsidiaries (Note)	-	-	-	-	-	-	-	-	4,792	4,792	(6,167)	1,375	(4,792)	-
Difference arising on dilution of interest in a subsidiary (Note 25)	-	-	-	-	-	-	-	1,146	-	1,146	-	2,154	2,154	3,300
Release upon disposal of subsidiaries	-	-	-	-	(18,194)	-	-	-	18,194	-	-	(15,024)	(15,024)	(15,024)
Non-controlling interests arising on acquisition of a subsidiary (Note 24)	-	-	-	-	-	-	-	-	-	-	-	27,927	27,927	27,927
At 30 June 2010 (unaudited)	11,522	1,007	445	115,576	27,892	21,849	2,879	(22,350)	473,484	632,304	26,953	317,526	344,479	976,783

Note: During the six months ended 30 June 2010, 920,000 share options issued by a subsidiary of the Group lapsed on the expiry of the three-month period following the dates of cessation of the respective employees and 5,423,000 share options issued by a subsidiary of the Group lapsed on the expiry dates of the respective exercise periods of the options.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2010

		Six months ended 30 June	
	NOTES	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
NET CASH FROM OPERATING ACTIVITIES		<u>304,781</u>	<u>155,165</u>
INVESTING ACTIVITIES			
Repayment (investment in) of convertible loan receivable		110,107	(45,454)
Proceeds from disposal of subsidiaries	6	90,443	–
Decrease (increase) of restricted bank deposits		46,679	(11,619)
Investment in available-for-sale investments		–	(568)
Repayment of entrusted loan receivable		24,373	–
Interest received		3,172	977
Interest received from entrusted loan receivables		193	2,352
Purchase of property, plant and equipment		(90,148)	(35,028)
Acquisition of a subsidiary	24	(63,149)	–
Increase in pledged bank deposits		(42,052)	(18,920)
Proceeds from disposal of intangible asset, net of transaction costs		–	168,703
Proceeds from disposal of property, plant and equipment		–	892
Acquisition of additional interest in a subsidiary		–	(9,949)
NET CASH FROM INVESTING ACTIVITIES		<u>79,618</u>	<u>51,386</u>
FINANCING ACTIVITIES			
Repayment of borrowings		(333,309)	(213,073)
New borrowings raised		144,300	14,773
Proceeds from issue of share options of subsidiaries		3,300	–
Issue of shares from exercise of share options of the Company		329	–
Advance from an associate		240	20,874
Capital contribution from minority shareholders		–	5,816
NET CASH USED IN FINANCING ACTIVITIES		<u>(185,140)</u>	<u>(171,610)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		199,259	34,941
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		372,847	195,381
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		<u>4,875</u>	<u>(56)</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		<u><u>576,981</u></u>	<u><u>230,266</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”.

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

The accounting policies used in these condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2009.

In the current interim period, the Group has applied, for the first time, a number of new and revised Standard, Amendments to Standards and Interpretation (“new or revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants, which are effective for the financial year beginning on 1 January 2010, excepts as disclosed below.

The Group applies HKFRS 3 (Revised) *Business Combinations* prospectively to business combinations for which the acquisition date is on or after 1 January 2010. In the current interim period, the Group acquires 68% of the issued capital of 廣東時尚置業有限公司 (Guangdong Shishang Zhiye Investment Co., Ltd.) (“Guangdong Shishang”), a limited liability company established in the People’s Republic of China (the “PRC”, for the purpose of this announcement, does not include Hong Kong, Macau and Taiwan), which has been accounted for as acquisition of assets and assumption of liabilities as it does not constitute a business under HKFRS 3 (Revised). As there was no transaction during the current interim period in which HKFRS 3 (Revised) is applicable, the application of HKFRS 3 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS3 (Revised) and the consequential amendments to the other HKFRSs are applicable.

Except as described below, the application of these revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Amendment to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations

The amendment to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* issued in 2009 as part of the *Improvements to HKFRSs* clarifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It states that disclosure requirements of other HKFRSs do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those HKFRSs have specific disclosure requirement in respect of such assets (or disposal groups); or the disclosures relate to the measurement of an individual asset or assets as part of a disposal group which follows other HKFRSs and the information is not disclosed elsewhere in the financial statements.

Amendment to HKAS 17 Leases

As part of Improvements to IFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the condensed consolidated statement of financial position. The amendment to HKAS 17 has removed such a requirement. The amendment requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leasehold asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendment to HKAS 17 Leases, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information which existed at the inception of these leases. This change in policy has had no material effect on the condensed consolidated financial statements of the Group.

The Group has not early applied the new and revised standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company (the “Directors”) anticipate that the application of new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 27 (Revised 2008) Consolidated and Separate Financial Statements

The application of HKAS 27 (Revised 2008) has resulted in changes in the Group’s accounting policies regarding increases or decreases in ownership interests in subsidiaries of the Group. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. The impact of decreases in interests in subsidiaries that did not involve loss of control (being the difference between the consideration received and the carrying amount of the share of net assets disposed of) was recognised in profit or loss. Under HKAS 27 (Revised 2008), all increases or decreases in such interests are dealt with in equity, with no impact on goodwill or profit or loss. Its application has resulted in the difference arising on dilution of interest in a subsidiary upon exercise of the subsidiary’s share options of approximately HK\$2,261,000. The Group’s share of the difference based on the Group’s shareholding in the subsidiary was approximately HK\$1,146,000, which has been directly credited to equity in the current period. In addition, proceeds upon exercise of these share options of HK\$3,300,000 are presented as cash inflow from financing activities.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires that the Group derecognises all assets, liabilities and non-controlling interests at their carrying amount. Any retained interest in the former subsidiary is recognised at its fair value at the date the control is lost. A gain or loss on loss of control is recognised in profit or loss as the difference between the proceeds, if any, and these adjustments.

In the current period, these changes in policies have affected the dilution of interest in a subsidiary as follows:

Condensed consolidated statement of comprehensive income

For the six months ended 30 June 2010

HK\$'000
(unaudited)

Decrease in profit for the period arising on non-recognition of difference arising on dilution of interest in a subsidiary	1,146
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The effect of changes in accounting policies described above on the Group's basic and diluted earnings per share for the current period is as follows:

Impact on basic earnings per share (from continuing and discontinued operations)

**Six months
ended
30 June 2010**
HK cents
(unaudited)

Basic earnings per share before adjustment	1.12
Adjustment arising from change in accounting policy (see note 2) in relation to difference arising on dilution of interest in a subsidiary	(0.10)
Reported basic earnings per share	1.02

Impact on diluted earnings per share (from continuing and discontinued operations)

**Six months
ended
30 June 2010**
HK cents
(unaudited)

Diluted earnings per share before adjustment	1.11
Adjustment arising from change in accounting policy (see note 2) in relation to difference arising on dilution of interest in a subsidiary	(0.10)
Reported diluted earnings per share	<u>1.01</u>

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)	Improvements to HKFRSs 2010 ³
HKAS 24 (Revised)	Related Party Disclosures ⁴
HKAS 32 (Amendment)	Classification of Right Issues ¹
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ²
HKFRS 9	Financial Instruments ⁵
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ⁴
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments ²

¹ Effective for annual periods beginning on or after 1 February 2010.

² Effective for annual periods beginning on or after 1 July 2010.

³ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

⁴ Effective for annual periods beginning on or after 1 January 2011.

⁵ Effective for annual periods beginning on or after 1 January 2013.

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 other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

For management purposes, the Group is currently organised into eight operating divisions – Property leasing and building management services; digital content distribution and exhibitions; deployment of digital cinema network in Asia; CG creation and production; CG training courses; cultural park (a new division for the six months ended 30 June 2010 upon the acquisition of 68% of the issued capital of Guangdong Shishang (defined in note 2) as disclosed in note 24); finance leasing and assets management. These divisions are the basis that is regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

A division – Film and television programme production, which was also an operating segment of the Group, was discontinued during the six months ended 30 June 2010 upon the disposal of the entire issued share capital of a subsidiary, Grand Award Limited as disclosed in note 6.

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

Six months ended 30 June 2010 (unaudited)

Continuing operations

	Property leasing and building management services HK\$'000	Digital content distribution and exhibitions HK\$'000	Deployment of digital cinema network in Asia HK\$'000	CG creation and production HK\$'000	CG training courses HK\$'000	Cultural park HK\$'000	Finance leasing HK\$'000	Assets management HK\$'000	Consolidated HK\$'000
Segment revenue	3,103	230,733	3,032	9,798	10,486	233	30,644	–	288,029
Segment result	12,455	76,428	505	(2,660)	2,360	(997)	1,250	(153)	89,188
Investment income									914
Central administration costs									(19,140)
Changes in fair value of held-for-trading investments									(1,770)
Finance costs									(1,766)
Share of loss of an associate									(19)
Profit before tax (continuing operations)									67,407

Six months ended 30 June 2009 (unaudited)

Continuing operations

	Property leasing and building management services HK\$'000	Digital content distribution and exhibitions HK\$'000	Deployment of digital cinema network in Asia HK\$'000	CG creation and production HK\$'000	CG training courses HK\$'000	Finance leasing HK\$'000	Assets management HK\$'000	Consolidated HK\$'000
Segment revenue	3,363	130,709	–	21,002	9,345	49,582	–	214,001
Segment result	8,842	21,502	(1,953)	(16,662)	3,081	11,858	–	26,668
Investment income								2,220
Central administration costs								(20,446)
Changes in fair value of held-for-trading investments								12,417
Finance costs								(1,904)
Share of loss of an associate								(289)
Profit before tax (continuing operations)								18,666

All of the segment revenue reported above is from external customers.

Segment result represents the profit earned or loss incurred by each segment without allocation of investment income, central administration costs, changes in fair value of held-for-trading investments, finance costs and share of loss of an associate. This is the measure reported to the chief operating decision maker, being the Group's Executive Directors, for the purposes of resources allocation and assessment of segment performance.

4. OTHER INCOME

Continuing operations

Other income for the six months ended 30 June 2010 primarily comprises government grants of approximately HK\$3,574,000 (Six months ended 30 June 2009: HK\$885,000) and interest income of approximately HK\$2,954,000 (Six months ended 30 June 2009: HK\$2,581,000).

Other income for the six months ended 30 June 2009 also included an one-off gain of approximately HK\$2,543,000 (Six months ended 30 June 2010: Nil) on disposal of an intangible asset to China Film Group Corporation ("China Film Group"), the majority shareholder of an associate of the Group, and the relevant imputed interest income of approximately HK\$2,062,000 (Six months ended 30 June 2010: Nil) derived from the deferred consideration. 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.

5. FINANCE COSTS

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Continuing operations		
Interest on bank and other borrowings wholly repayable within five years	2,551	957
Interest on bank and other borrowings not wholly repayable within five years	823	947
Total borrowing costs	3,374	1,904
Less: amounts capitalised in the cost of qualifying assets	(1,608)	–
	1,766	1,904

6. DISPOSAL OF SUBSIDIARIES

On 16 March 2010, a subsidiary of the Company entered into a share transfer agreement with an independent purchaser and a guarantor, pursuant to which the subsidiary agreed to sell to the purchaser the entire issued share capital of Grand Award Limited for US\$1 and to assign the loan to the purchaser for an aggregate consideration of HK\$247,920,000 (the “Disposal”). Grand Award Limited and its subsidiaries (“Grand Award Group”) carried out all of the Group’s film and television programme production. The Disposal was completed on 11 June 2010 on which date the Group passed the control of Grand Award Group to the purchaser. Details of the Disposal are set out in the announcement of the Company dated 16 March 2010.

The profit (loss) from the discontinued operations for the relevant periods is analysed as follow:

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Profit (loss) from the discontinued operations	428	(12,149)
Gain on disposal of the discontinued operations	386	–
	814	(12,149)
Attributable to:		
Owners of the Company	809	(9,920)
Non-controlling interests	5	(2,229)
	814	(12,149)

The results of the discontinued operations for the relevant periods were as follow:

	Six months ended	
	30 June	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	347	2,047
Cost of sales	(464)	(7,765)
Gross loss	(117)	(5,718)
Other income	1,874	5,608
Distribution costs and selling expenses	(330)	(1,030)
Administrative expenses	(4,640)	(3,989)
Changes in fair values for held-for-trading investments	–	(6,823)
Finance costs	–	(152)
Loss before tax	(3,213)	(12,104)
Tax credit (expenses)	3,641	(45)
Profit (loss) for the period	428	(12,149)

The net assets of Grand Award Group at the date of disposal were as follows:

	11 June 2010
	<i>HK\$'000</i>
	(unaudited)
Net assets disposed of	
Property, plant and equipment	120
Available-for-sale investments	32,506
Prepayments, deposits and other receivables	233,921
Bank balances and cash	15,886
Trade payables	(890)
Other payables and accruals	(18,985)
	262,558
Non-controlling interests	(15,024)
	247,534
Gain on disposal	386
Total consideration	247,920
Satisfied by:	
Cash	106,329
Deferred cash consideration	141,591
	247,920
Net cash inflow arising on disposal:	
Total cash consideration received	106,329
Bank balances and cash disposed of	(15,886)
	90,443

The remaining deferred cash consideration, after offsetting an amount of approximately HK\$41,291,000 owed by the Group to Grand Award Group, is included in other receivables at 30 June 2010 as set out in note 13 has been settled after the interim reporting period.

Cash flows from Grand Award Group:

	Six months ended	
	30 June	
	2010	2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash flows (used in) from operating activities	(125,262)	59,506
Net cash flows from (used in) investing activities	29,359	(22,593)
Net cash flows	(95,903)	36,913

7. INCOME TAX EXPENSE

	Six months ended	
	30 June	
	2010	2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Continuing operations		
Current tax:		
The People's Republic of China Enterprise Income Tax ("PRC EIT")	11,841	5,027
Hong Kong	307	(18)
	12,148	5,009
Deferred taxation:		
Current period	121	203
	12,269	5,212

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

Tax arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions, if any.

Pursuant to the relevant laws and regulations in the PRC, a PRC subsidiary is exempted from PRC EIT for two years starting from their first profit making year which was in 2007, followed by a 50% reduction for the next three years.

No provision for income tax in Singapore and the United States has been made in the condensed consolidated statement of comprehensive income for both periods as the Group has no assessable profit arising in these jurisdictions.

8. PROFIT FOR THE PERIOD

	Six months ended 30 June 2010			Six months ended 30 June 2009		
	Continuing operations HK\$'000 (unaudited)	Discontinued operations HK\$'000 (unaudited)	Total HK\$'000 (unaudited)	Continuing operations HK\$'000 (unaudited)	Discontinued operations HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Profit for the period has been arrived at after charging (crediting):						
Revenue (<i>note 3</i>)	(288,029)	(347)	(288,376)	(214,001)	(2,047)	(216,048)
Cost of sales	165,833	464	166,297	166,048	7,765	173,813
Interest income from entrusted loan receivables	(193)	–	(193)	(2,068)	(284)	(2,352)
Other income (<i>note 4</i>)	(7,483)	(1,874)	(9,357)	(8,469)	(5,324)	(13,793)
Allowance for inventories	–	–	–	–	4,770	4,770
Allowance for doubtful debts	–	–	–	–	6,001	6,001
Amortisation of intangible asset (included in cost of sales)	–	–	–	633	–	633
Amortisation of prepaid lease payments	57	–	57	79	–	79
Depreciation of property, plant and equipment	7,097	133	7,230	5,592	726	6,318
Less: amounts included in contract cost	(1,561)	–	(1,561)	(1,386)	–	(1,386)
	5,536	133	5,669	4,206	726	4,932
Loss (gain) on disposal of property, plant and equipment	1,347	–	1,347	(2,714)	–	(2,714)
Finance cost (<i>note 5</i>)	1,766	–	1,766	1,904	152	2,056
Research and development costs recognised as an expense	4,155	–	4,155	3,583	–	3,583
(Profit) loss before tax	(67,407)	2,827	(64,580)	(18,666)	12,104	(6,562)

9. EARNINGS PER SHARE

From continuing and discontinued operations

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

	Six months ended	
	30 June	
	2010	2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings		
Earnings for the purpose of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	11,790	941
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,151,888	1,151,392
Effect of dilutive potential ordinary shares:		
Share options	21,020	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,172,908	1,151,392

From continuing operations

The calculation of basic and diluted earnings per share from continuing operations attributable to the owners of the Company is based on the following data:

	Six months ended	
	30 June	
	2010	2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings figures are calculated as follow:		
Profit for the period attributable to the owners of the Company	11,790	941
Less: Profit (loss) for the period from discontinued operations attributable to the owners of the Company	809	(9,920)
Earnings for the purpose of basic and diluted earnings per share from continuing operations	10,981	10,861

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

From discontinued operations

Basic earnings (loss) per share from discontinued operations is HK0.07 cents per share (Six months ended 30 June 2009: basic and diluted (loss) is HK(0.86) cents per share) and diluted earnings (loss) per share from the discontinued operations is HK0.07 cents per share, based on the profit (loss) for the period from the discontinued operation of HK\$0.81 million (Six months ended 30 June 2009: HK\$(9.92) million) and the denominators detailed above for both basic and diluted earnings per share.

The computations of diluted earnings per share for the six months ended 30 June 2009 does not include the potential ordinary shares arising from the Company's share options because the exercise prices of these share options were higher than the average market price for the shares for the period.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2010, the Group acquired property, plant and equipment of approximately HK\$90,148,000 (Six months ended 30 June 2009: HK\$35,028,000).

11. INVESTMENT PROPERTIES

		30 June	31 December
		2010	2009
	<i>Notes</i>	HK\$'000	HK\$'000
		(unaudited)	(audited)
Investment properties located in Hong Kong, at fair value	(i)	161,200	152,450
Properties interest held under an operation lease, at cost (<i>Note 24</i>)	(ii)	84,473	—
		245,673	152,450

Notes:

- (i) The fair value of the Group's investment properties located in Hong Kong at 30 June 2010 and 31 December 2009 has been arrived at on the basis of a valuation carried out on that date by AA Property Services Limited, an independent qualified professional valuer not connected with the Group. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The resulting increase in fair value of investment properties of approximately HK\$8,750,000 (Six months ended 30 June 2009: HK\$5,950,000) has been credited to profit or loss for the period.
- (ii) The investment properties represent the properties interest held under an operating lease on a property project under construction which arose from a framework agreement on 28 March 2007 (as supplemented on 3 April 2008) (the "Framework Agreement") entered into by Guangdong Shishang and 珠江電影製片有限公司 (Pearl River Film Production Company Limited) ("Pearl River Film Production"), a limited liability company established in the PRC and a state-owned enterprise, to redevelop 珠影文化產業園 ("Pearl River Film Cultural Park"). Details of the property project as disclosed in Note 24.

The investment properties are stated at cost as the fair value of the property under construction cannot be reliably measured.

12. AVAILABLE-FOR-SALE INVESTMENTS

		30 June 2010	31 December 2009
	<i>Notes</i>	HK\$'000	HK\$'000
		(unaudited)	(audited)
Unlisted equity interests	(i)	5,403	5,341
Unlisted non-performing loans and interests	(ii)	–	32,136
		5,403	37,477

Notes:

- (i) The investment represents 5% equity interest in a private entity established in the PRC, and is measured at cost less impairment at the end of the reporting period.
- (ii) On 30 January 2009, the Group entered into two agreements with 中國東方資產管理公司石家莊辦事處 (the “Vendor”), an independent third party, pursuant to which the Group acquired two non-performing loans and interests accrued thereon with principal amounts of RMB23 million (equivalent to approximately HK\$26.1 million) and RMB30.5 million (equivalent to approximately HK\$34.7 million) for considerations of RMB9 million (equivalent to approximately HK\$10.3 million) and RMB19.0 million (equivalent to approximately HK\$21.8 million), respectively. Details of which were set out in the announcement of the Company dated 4 February 2009.

The advance of approximately RMB28 million (equivalent to approximately HK\$32.1 million) to the Vendor became the investment costs which were then designated as available-for-sales investments thereafter and the fair value of the investment as at 31 December 2009 is estimated to approximate its cost. Only after such time as the interest-in-suspense was no longer required, interest income would then be subsequently recognised using the effective interest method.

The unlisted non-performing loans and interests were disposed of upon the disposal of interest in subsidiaries set out in note 6.

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The whole amount of other receivables classified as non-current assets and approximately HK\$4,336,000 (31 December 2009: HK\$4,153,000) of other receivables classified as current assets relate to receivables arising from virtual print fee (“VPF”) agreements.

As at 30 June 2010, the Group has outstanding 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. There is no new VPF Arrangements entered into in the current interim period.

The Directors expect that approximately HK\$4,336,000 (31 December 2009: 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.

In addition, an amount of approximately HK\$100,300,000 relating to the disposal of subsidiaries set out in note 6 is included in other receivables and classified as current assets. The amount is unsecured and non-interest bearing and has been settled after the end of the interim reporting period.

14. FINANCE LEASE RECEIVABLES

	Minimum lease receipts		Present value of minimum lease receipts	
	30 June	31 December	30 June	31 December
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(audited)	(unaudited)	(audited)
Finance lease receivables comprise:				
Within one year	245,705	509,737	211,352	464,519
In more than one year but not more than two years	233,676	220,935	216,928	197,595
In more than two years but not more than three years	125,603	210,666	121,171	200,882
In more than three years but not more than four years	5,161	31,414	4,883	30,014
In more than four years but not more than five years	534	705	495	615
More than five years	47	248	47	241
	<u>610,726</u>	<u>973,705</u>	<u>554,876</u>	<u>893,866</u>
Less: Unearned finance income	<u>(55,850)</u>	<u>(79,839)</u>	<u>N/A</u>	<u>N/A</u>
Present value of minimum lease receipts	<u>554,876</u>	<u>893,866</u>	<u>554,876</u>	<u>893,866</u>

Analysed as:

Current finance lease receivables (receivable within 12 months)	211,352	464,519
Non-current finance lease receivables (receivable after 12 months)	343,524	429,347
	<u>554,876</u>	<u>893,866</u>

Effective interest rates of the above finance leases receivables range from approximately 6% to 16% per annum.

During the six months ended 30 June 2010, the directors reviewed the credit quality of the finance lease receivables according to their past repayment history. Impairment loss of approximately HK\$12,304,000 (Six months ended 30 June 2009: Nil) has been recognised for the six months ended 30 June 2010 in respect of a debtor that has defaulted in payment in this period and the Directors considered that the recoverability of the amount is low.

15. ENTRUSTED LOAN RECEIVABLES

	30 June 2010 HK\$'000 (unaudited)	31 December 2009 HK\$'000 (audited)
Entrusted loan receivables comprise:		
Within one year	1,563	25,873
In more than one year but not more than two years	–	227
	1,563	26,100
Less: Amounts due within one year shown under current assets	(1,563)	(25,873)
	–	227
Amounts due after one year	–	227

16. TRADE RECEIVABLES

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

	30 June 2010 HK\$'000 (unaudited)	31 December 2009 HK\$'000 (audited)
Within three months	70,411	39,670
Three to six months	7,575	1,484
Over six months	591	323
	78,577	41,477

17. 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 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 was 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 approximated to its fair value at initial recognition and the fair value of the Conversion Option was insignificant at initial recognition and 31 December 2009. As there is no significant changes in the business operation of the Borrower, the Group considers the fair value of the Conversion Option continued to be insignificant as at 30 June 2010.

As at 31 December 2009, the carrying amount of the convertible loan receivable of approximately HK\$119.3 million comprised the principal amount of RMB100 million (equivalent to approximately HK\$113.6 million) and the accrued interest thereon.

During the six months ended 30 June 2010, the Borrower repays part of the principal amount of Loan Receivable and the accrued interest thereon amounting to approximately HK\$110.1 million. As at 30 June 2010, the remaining principal amount and interest of approximately HK\$10.6 million is expected to be settled within one year after the end of the reporting period and therefore is classified as a current asset. The convertible loan receivable is stated at amortised cost using the effective interest method at 6% per annum less any identified impairment losses.

18. TRADE PAYABLES

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

	30 June 2010 HK\$'000 (unaudited)	31 December 2009 HK\$'000 (audited)
Within three months	40,634	31,153
Three to six months	7,004	1,816
	47,638	32,969

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

19. OTHER PAYABLES AND ACCRUALS

Other payables as at 30 June 2010 included an amount of approximately RMB84,581,000 (equivalent to approximately HK\$97,341,000) due to 首方投資管理(深圳)有限公司 (Capital Steel Investment (China) Ltd.) (“Capital Steel”) in connection with fund advanced from Capital Steel. The Capital Steel was a then subsidiary of the Group and became an independent third party upon the disposal of Grand Award Group as set out in note 6. The amount is unsecured, non-interest bearing and repayable on demand.

20. AMOUNT DUE TO AN ASSOCIATE

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

21. BORROWINGS

During the six months ended 30 June 2010, the Group draws new borrowing of approximately HK\$102.3 million from existing unutilised banking facilities, which is secured by pledge of construction in progress and prepaid lease payment, carries interest at the People's Bank of China Renminbi Lending Rate per annum and are repayable after twelve months from the end of the reporting period in instalments over a period of five years, and obtains new bank loans of approximately HK\$42.1 million, which are secured by pledge of bank deposits, carries at fixed interest rates from 1.98% to 2.02% per annum and are repayable within twelve months from the end of the reporting period. The proceeds are used to finance the construction and as general working capital for the Group, respectively. The Group repaid borrowings of approximately HK\$333.3 million (Six month ended 30 June 2009: HK\$213.1 million) in accordance with the repayment terms.

22. SHARE CAPITAL

	30 June 2010		31 December 2009	
	Number	Nominal	Number	Nominal
	of shares	value	of shares	value
		HK\$'000		HK\$'000
	(unaudited)	(unaudited)	(audited)	(audited)

Ordinary share of HK\$0.01 each

Authorised:

At beginning and end of the period/year	2,000,000,000	20,000	2,000,000,000	20,000
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Issued and fully paid:

At beginning of the period/year	1,151,392,469	11,514	1,151,392,469	11,514
Exercise of share options	800,000	8	—	—

At the end of the period/year	1,152,192,469	11,522	1,151,392,469	11,514
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23. CONTINGENCIES AND COMMITMENTS

Capital commitments

30 June 2010	31 December 2009
HK\$'000	HK\$'000
(unaudited)	(audited)

Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:

Acquisition of property, plant and equipment	77,052	125,733
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Litigations

- (i) On 14 May 2003, GDC Entertainment Limited (“GDC Entertainment”), a non-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.

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 condensed consolidated financial statements.

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.

- (ii) A subsidiary of the Group, Global Digital Creations Holdings Limited (“GDC”) received an original complaint in April 2010 and a first amended complaint in July 2010 for damages and injunctive relief, and demand for jury trial (the “Proceeding”) filed with the District Court, Central District of California Western Division of the United States by X6D Limited, X6D USA Inc. and XpanD, Inc. against, among others, GDC and its subsidiaries namely GDC Technology Limited (“GDC Technology”), GDC Technology China Limited, GDC Technology (USA) LLC and GDC Technology of America LLC (collectively, the “Defendants”) for copyright infringement, trademark and trade dress infringement, patent infringement, misappropriation of trade secrets and statutory unfair competition in relation to the 3D glasses sold by the Defendants. Sale of 3D glasses is not a core business of the Group.

GDC filed a motion to dismiss in July 2010 as to strike for certain claims and certain allegations in the Proceeding. The hearing of the Proceeding is scheduled to be held on 30 August 2010. Since the Proceeding is in a preliminary stage, the Directors cannot assess the outcome of the litigation.

24. ACQUISITION OF A SUBSIDIARY

On 30 March 2010, a non-wholly owned subsidiary of the Group acquired 68% of the issued capital of Guangdong Shishang for consideration of RMB56,060,000 (equivalent to approximately HK\$63,705,000). The acquisition was completed on 20 April 2010. Details of the acquisition were set out in the announcement of the Company dated 30 March 2010.

Guangdong Shishang is a limited liability company established in the PRC on 23 March 2007. Guangdong Shishang entered into the Framework Agreement with Pearl River Film Production to redevelop the Pearl River Film Cultural Park. Pearl River Film Production, as the landlord of the Pearl River Film Cultural Park, agrees to grant the property leasing right to Guangdong Shishang, in return for predetermined fixed monthly payment from Guangdong Shishang for a term up to 31 December 2045. Guangdong Shishang is responsible for the design, financing, construction and operation of the Pearl River Film Cultural Park and the funding of the entire construction project. Upon the expiration of the Framework Agreement, Guangdong Shishang has to return all properties to Pearl River Film Production.

The Pearl River Film Cultural Park is located at No. 352 and 354, Xin Gang Zhong Road, Guangzhou, China and the present land use right is owned by Pearl River Film Production. After the redevelopment which is expected to be completed in the next 2 to 3 years, the Pearl River Film Cultural Park will have a commercial area, a cultural entertainment area and a film production and development area, which will be held for investment property purposes.

The acquisition of the subsidiary is accounted for as acquisition of assets and assumption of liabilities.

The net assets of the subsidiary acquired as of the date of acquisition are as follows:

	<i>HK\$'000</i>
Net assets acquired:	
Investment properties	84,473
Prepayments, deposits and other receivables	12,305
Bank balances and cash	556
Other payables and accruals	(5,702)
	91,632
Non-controlling interests	(27,927)
Total consideration satisfied by cash	63,705
Net cash outflow arising on acquisition:	
Cash consideration paid	63,705
Bank balances and cash acquired	(556)
	63,149

25. DILUTION OF INTEREST IN A SUBSIDIARY

The amount of approximately HK\$1,146,000 represents the Group's share of the excess of proceeds of HK\$3,300,000 received by GDC Technology, a subsidiary of the Company, upon exercise of share options of GDC Technology over the carrying amount of non-controlling interests deemed to be disposed of on dilution amounting to approximately HK\$1,039,000. The amount has been recognised in special reserve in the current period.

INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2010 (2009: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

Revenue from continuing operations of the Group for the six months ended 30 June 2010 was approximately HK\$288,029,000, when compared with the revenue of approximately HK\$214,001,000 for the corresponding period in 2009, represented an increase of approximately 35%. The increase was mainly attributable to the increase in the revenue of the digital content distribution and exhibitions division by approximately HK\$100,024,000, netting off with the reduction in the income from the computer graphic (“CG”) creation and production division and the decrease in the finance lease income by approximately HK\$11,204,000 and HK\$18,938,000 respectively.

Cost of sales from continuing operations for the six months ended 30 June 2010 amounted to approximately HK\$165,833,000, represented a similar level with that of approximately HK\$166,048,000 for the corresponding period in 2009.

The gross profit from the continuing operations of the Group for the six months ended 30 June 2010 was approximately HK\$122,196,000 representing a gross profit margin of approximately 42%, an increase of approximately 20% when compared with the gross profit margin of approximately 22% for the corresponding period in 2009. The improvement was mainly attributable to increase in sales of digital cinema equipment with higher margin and an increase in technical service income and revenue from the provision of assembly and integration services for digital cinemas during this period.

Other income from the continuing operations for the six months ended 30 June 2010 amounted to approximately HK\$7,483,000 (Six months ended 30 June 2009: HK\$8,469,000), representing a decrease of approximately 12%. The decrease was mainly due to the amount for the six months ended 30 June 2009 included an one-off gain of approximately HK\$2,543,000 for the disposal of intangible asset to China Film Group Corporation (“CFG”) upon termination of the cooperation with CFGC for the deployment of digital cinema network in the People’s Republic of China (the “PRC”, for the purpose of this announcement, does not include Hong Kong, Macau and Taiwan) and the relevant imputed interest income of approximately HK\$2,062,000 derived from the deferred consideration.

Administrative expenses from the continuing operations for the six months ended 30 June 2010 amounted to approximately HK\$49,517,000 (Six months ended 30 June 2009: HK\$53,549,000), representing a decrease of approximately 8% when compared with the same period in 2009.

The gain on disposal of subsidiaries of approximately HK\$386,000 for the six months ended 30 June 2010 represented the gain on the disposal of the entire issued share capital of Grand Award Limited for US\$1 and the assignment of a shareholder's loan for HK\$247,920,000 (the "Disposal"). Grand Award Limited and its subsidiaries carried out all of the Group's film and television programme production. The Disposal was completed on 11 June 2010.

The profit from the discontinued operations for the six months ended 30 June 2010 was approximately HK\$428,000. A loss of approximately HK\$12,149,000 was recorded for the corresponding period in the year 2009.

Overall, the Group recorded profit of approximately HK\$11,790,000 for the six months ended 30 June 2010 attributable to owners of the Company, when compared with that profit of approximately HK\$941,000 for the corresponding period in the year 2009.

BUSINESS REVIEW AND OUTLOOK

Digital content distribution and exhibitions

As a result of an increase in orders of digital cinema equipment and related services from customers in the United States, the PRC and other Asian countries during this period, segment revenue and segment result from the digital content distribution and exhibitions division reports an approximate 77% and 255% increase to approximately HK\$230,733,000 and HK\$76,428,000, respectively, for the six months ended 30 June 2010 when comparing with that for the corresponding period in the year 2009. The continuous improvement is mainly due to the success of 3D feature films and the availability of funding for digital cinema deployment drive the brisk demand for installation of digital equipment in cinemas for exhibition of digital content.

Besides, the market boom in the United States market, where the digital cinema equipment is widely accepted by the exhibitors translated into the Group shipping twice as many products in terms of revenue to there than the PRC market during this period. The Group establishes a new office in the East Coast of the United States to deliver better service and customer support to the exhibitors as well as to grow prospective customer base in the region.

Year 2010 marks an important milestone in the era of digital cinema, as a brand new generation of projector, DLP Cinema® Series 2 projector is delivered. In response to the enhancement of projector technology, the Group is the first to offer its "S2 Upgrade" kits to upgrade all its SA2100 digital cinema servers that can connect to the DLP Cinema® Series 2 projector. In March 2010, the Group participated in the ShoWest 2010 and demonstrated its fifth generation SX2000 and SX2001 digital cinema servers. SX2000 incorporates an integrated media block ("IMB") that integrates with the DLP Cinema® Series 2 projector, the Group is one of the major suppliers in the world that produces IMB for the DLP Cinema® Series 2 projector. During this period, the Group also launches a new feature – "3D Live" option in its digital cinema server for the 3D broadcast without addition decoder box. The customer in South Korea adopts this solution to bring live 3D FIFA World Cup broadcast successfully to its 52 cinemas.

With the new generation of servers and other products for theatre management, digital cinema mastering, cinema digital signage and integrated projection system, the Group is capable of offering exhibitors an all-round digital cinema solution and developing products that aim at meeting more than the standard Digital Cinema Initiative (“DCI”) specifications, thus differentiating its technology from its competitors. To capture the potential opportunities, the Group will also strengthen its research and development, production facilities, service teams and marketing effort to provide superior digital delivery and display solutions to customers.

Deployment of digital cinema network in Asia

In Asia (other than the PRC), the Group has signed non-exclusive virtual print fee (“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 agreements with two major exhibitors in Hong Kong to participate in the VPF arrangement and endeavors to enter into similar agreements with exhibitors in other Asian jurisdictions in the coming future.

CG creation and production

Since the second half of the year 2009, the international animation production industry has been under depression with less investment in new projects, which results in a decrease in revenue from CG creation and production division for the six months ended 30 June 2010 by approximately 53% when comparing with that for the corresponding period in the year 2009, and incur a loss for this period. However, the Group currently has three CG production projects from Europe and North America in progress, with several other projects under testing stage, of which productions of two to three projects are likely commenced in the second half of the year 2010.

In view of the growing 3D film market and animation industry in the PRC, the Group plans to promote new 3D animation programmes and invest in its own traditional and CG animation IP assets. During this period, the Group begins production of two 3D animated films, two CG animated and one traditional animated television series. The Group also plans to expand to related businesses in the animation industry in the year 2010.

In addition to invest in IP assets and undertake international production projects, the Group will work with renowned directors and producers and large international animation content production and distribution companies for co-production projects. At the same time, the Group is actively looking for new customers, and is now discussing with several world-leading entertainment brands for animated television series and films. Many clients express the desire for long-term and multi-project relationships, including both 3D films and CG television series, with the Group based on the Group’s demonstrated track record of providing reliable, cost-effective, high-quality CG production services to international markets.

Furthermore, the Group's achievement in CG business is recognised by the PRC government, the Group's subsidiary in Shenzhen is named "Cultural & Technology" demonstrative enterprise and awarded the "Top 100 in the China's Emerging Service Provider" during this period.

CG training

CG training division continues to strive, as a core component of its strategy, towards professionalism and strengthening of its training materials. For the six months ended 30 June 2010, this division records steady growth in revenue of approximately 12% when comparing with that for the corresponding period in the year 2009.

After upgrading the existing training courses with the latest knowledge of CG production, online 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 requirements. 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 graduation.

In addition to the success of the Group's training centres in Shanghai, Shenzhen, Wuxi, Chongqing and Guangzhou, the Group plans to set up a new training centre in northern China to provide comprehensive coverage in the PRC, with a view to stimulating and promoting its training business to those areas with developed animation industry and expanding further its training network.

Cultural park

During this period, the Group acquires 68% interest in 廣東時尚置業有限公司 (Guangdong Shishang Zhiye Investment Co., Ltd.) ("Guangdong Shishang"), a limited liability company established in the PRC. Guangdong Shishang has entered into a framework agreement with 珠江電影製片有限公司 (Pearl River Film Production Company Limited) to redevelop 珠影文化產業園 (Pearl River Film Cultural Park). The Group considers that this acquisition enables the Group to participate in the media entertainment and related commercial property development business in the PRC which has shown considerable growth in recent years and expect this stable growth will continue in the coming years as the national economy of the PRC continues to grow. The Group is now preparing the detailed construction plan and budget for the redevelopment.

Finance leasing

In the first half of 2010, credit growth in the PRC has gradually slowed from the recorded high in 2009 to a normal level with high liquidity level still being maintained in the banking system. Under this high liquidity market situation, the growth in the finance leasing division has correspondingly slowed. The finance leasing division recorded a drop in the revenue for the six months ended 30 June 2010 by approximately 38% to approximately HK\$30,644,000 when compared with that of the corresponding period in the year 2009. At the same time, the finance leasing division carried out a rigorous assessment and review of its credit risk over all its existing and new finance leasing clients. An allowance for doubtful debts amounted to approximately

HK\$12,304,000 was made towards a particular finance lease receivables. As such, the finance leasing division recorded a reduction in segment result by approximately 89% when compared with that of the corresponding period in 2009. If the effect of doubtful debts allowance is excluded, the finance leasing division recorded a growth in its segment result by approximately 14% when compared with that of the corresponding period in 2009. The Group will continue to adopt a prudent credit risk management strategy and will use its best efforts in the recovery of impaired receivables.

The economy of the PRC is expected to continue to bloom although uncertainty in the European Union regarding the debts of peripheral European countries has not yet fully settled is affecting the market sentiment. The Group will also continue to focus on finance leasing for large development projects and explore different financing methods to lower its finance costs.

Property Investment and Management

The property leasing and building management fee income for the six months ended 30 June 2010 decreased by approximately 8%. The resalable value of the Group's investment properties have also been improved during this period due to the buoyant property market. The Group was receiving 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 30 June 2010, the Group had bank balances and cash of approximately HK\$577.0 million (31 December 2009: HK\$372.8 million), restricted bank deposits of approximately HK\$10.9 million (31 December 2009: HK\$57.0 million) and pledged bank deposits of approximately HK\$44.0 million (31 December 2009: HK\$2.0 million) which were mainly denominated in Hong Kong dollars, Renminbi and United States dollars. The increase was mainly from net cash inflow from operating activities of approximately HK\$304.8 million, net proceeds from disposal of subsidiaries of approximately HK\$90.4 million, repayment of convertible loan receivable of approximately HK\$110.1 million, refund of restricted bank deposits of approximately HK\$46.7 million and repayment of entrusted loan receivables of approximately HK\$24.4 million, netting off the purchase of property, plant and equipment of approximately HK\$90.1 million, acquisition of a subsidiary of approximately HK\$63.1 million and net repayment of borrowings of approximately HK\$189.0 million.

As at 30 June 2010, the Group's borrowings amounted to approximately HK\$784.6 million, of which approximately HK\$333.8 million were repayable within twelve months from 30 June 2010 and approximately HK\$450.8 million were repayable after twelve months from 30 June 2010. All loans bore interest at market rates.

As at 30 June 2010, gearing ratio (calculated as borrowings net of bank balances and cash, restricted bank deposits and pledged bank deposits divided by total equity) was approximately 16% (31 December 2009: 59%). As at 30 June 2010, the Group had current ratio of approximately 177% (31 December 2009: 155%) based on current assets of approximately HK\$1,152.3 million and current liabilities of approximately HK\$649.4 million. The improvement in the Group's leverage was mainly attributable to net cash inflow from operating activities.

CAPITAL STRUCTURE

The equity attributable to owners of the Company amounted to approximately HK\$632.3 million as at 30 June 2010 (31 December 2009: HK\$609.0 million). The increase was mainly due to profit for the six months ended 30 June 2010 attributable to owners of the Company of approximately HK\$11.8 million and transfer of approximately HK\$4.8 million from share options reserve of a subsidiary upon cancellation of those share options during this period.

MATERIAL ACQUISITION, DISPOSALS AND SIGNIFICANT INVESTMENT

Other than disposal of interest in subsidiaries and acquisition of a subsidiary and dilution of interest in a subsidiary as disclosed in note 6, note 24 and note 25 to the condensed consolidated financial statement, the Group had no material acquisitions, disposals and significant investment during the six months ended 30 June 2010.

CHARGE ON ASSETS

As at 30 June 2010, the Group has the following charge on assets:

- i) The Group's investment properties with an aggregate carrying value of approximately HK\$161.2 million were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK\$151.1 million.
- ii) The Group's finance lease receivables with a carrying value of approximately HK\$501.8 million were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK\$478.8 million.
- iii) There were new bank deposits of approximately HK\$42.1 million restricted for the repayment of bank borrowings, which will be released upon full settlement of the relevant bank borrowings without outstanding amount of approximately HK\$42.1 million.
- iv) The Group's construction in progress and prepaid lease payments with an aggregate carrying value of approximately HK\$171.2 million were pledged to bank to secure for bank borrowing with outstanding amount of approximately HK\$112.6 million and undrawn borrowing facilities of approximately HK\$59.8 million.
- v) The Group pledged deposits amounted to approximately HK\$2.0 million to a bank to secure a construction agreement entered into with independent third parties. The pledged bank deposits will be released upon the settlement of the agreement.

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 30 June 2010, the Group has no significant exposure under foreign exchange.

CONTINGENT LIABILITIES

Saved as disclosed in note 23 about litigations proceeding, the Group had no significant contingent liabilities as at 30 June 2010.

EMPLOYEES

As at 30 June 2010, the Group employed 612 (31 December 2009: 695) 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 six months ended 30 June 2010, 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 period under review.

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 six months ended 30 June 2010, except for the following deviation:

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

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.

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 period.

By Order of the Board

Li Shaofeng

Chairman

Hong Kong, 26 August 2010

As at the date of this announcement, the Board comprises Mr. Li Shaofeng (Chairman), Mr. Luo Zhenyu (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*