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

(Incorporated in Bermuda with limited liability)

(Stock code: 8271)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

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FINAL RESULTS

The board of Directors of the Company (the "Board") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2007 with comparative figures for the year ended 31 December 2006. These final results have been reviewed by the Audit Committee of the Company.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	NOTES	**2007** **HK$'000**	2006 HK$'000
Revenue	*3 & 4*	**246,125**	54,920
Cost of sales		**(165,544)**	(30,135)
Gross profit		**80,581**	24,785
Other income	*5*	**14,413**	1,099
Distribution costs and selling expenses		**(7,720)**	(6,479)
Administrative expenses	*6*	**(99,878)**	(38,365)
Finance costs	*7*	**(4,002)**	(13,080)
Share of loss of an associate		**(298)**	–
Discount on acquisition of additional interest in a subsidiary	*21*	**1,342**	–
Gain on dilution of interest in a subsidiary	*8*	**40,130**	–
Gain on disposal of partial interest in a subsidiary		**–**	1,795
Profit (loss) before tax		**24,568**	(30,245)
Income tax expense	*9*	**(3,099)**	–
Profit (loss) for the year	*10*	**21,469**	(30,245)
Attributable to:			
Equity holders of the Company		**18,302**	(30,245)
Minority interests		**3,167**	–
		21,469	(30,245)
		HK cents	*HK cents*
Earnings (loss) per share	*11*		
Basic		**1.62**	(3.78)
Diluted		**1.57**	N/A

CONSOLIDATED BALANCE SHEET

As at 31 December 2007

	NOTES	**2007** **HK$'000**	2006 HK$'000
Non-current assets			
Property, plant and equipment	*12*	**14,780**	4,868
Intangible asset	*13*	**221,545**	–
Available-for-sale investment		**–**	–
Prepaid lease payments	*14*	**5,612**	–
Interest in an associate	*15*	**424**	–
Advance paid for acquisition of intangible asset		**35,581**	–
		277,942	4,868
Current assets			
Inventories		**6,761**	2,469
Production work in progress		**–**	–
Amounts due from customers for contract work	*16*	**1,494**	808
Trade receivables	*17*	**11,502**	6,080
Prepayments, deposits and other receivables		**11,434**	3,680
Prepaid lease payments	*14*	**114**	–
Amount due from an associate		**1,053**	–
Pledged bank deposit		**7,800**	–
Bank balances and cash		**210,377**	8,596
		250,535	21,633
Current liabilities			
Income received in advance		**10,189**	6,701
Amounts due to customers for contract work	*16*	**1,440**	1,850
Trade payables	*18*	**4,197**	2,838
Other payables and accruals		**18,596**	29,288
Amounts due to fellow subsidiaries		**2,553**	12,284
Amounts due to directors		**2,912**	2,308
Amount due to a shareholder		**–**	339
Amounts due to other related parties		**877**	1,501
Tax liabilities		**3,099**	–
Loans from other related parties		**–**	1,209
Loan from a fellow subsidiary – due within one year		**35,000**	–
Obligations under finance leases – due within one year		**525**	1,484
Secured bank borrowing – due within one year	*19*	**13,898**	10,000
Other loan		**–**	18,295
		93,286	88,097
Net current assets (liabilities)		**157,249**	(66,464)
Total assets less current liabilities		**435,191**	(61,596)

	NOTE	**2007**	2006
		HK$'000	*HK$'000*
Non-current liabilities			
Loan from a fellow subsidiary – due after one year		**–**	92,169
Obligations under finance leases – due after one year		**–**	489
Amount due to other related party – due after one year		**–**	455
		–	93,113
Net assets (liabilities)		**435,191**	(154,709)
Capital and reserves			
Share capital	*20*	**12,952**	8,008
Share premium and reserves		**345,084**	(163,034)
Equity attributable to equity holders of the Company		**358,036**	(155,026)
Share options reserve of a subsidiary		**15,988**	317
Minority interests		**61,167**	–
Total equity		**435,191**	(154,709)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2007

	Attributable to equity holders of the Company												
	Share capital *HK$'000*	Share premium account *HK$'000*	Capital contribution reserve *HK$'000*	Contributed surplus *HK$'000*	Statutory reserve *HK$'000*	Share options reserve *HK$'000*	Exchange reserve *HK$'000*	Special reserve *HK$'000* *(Note)*	Accumulated losses *HK$'000*	Total *HK$'000*	Share options reserve of a subsidiary *HK$'000*	Minority interests *HK$'000*	Total *HK$'000*
At 1 January 2006	8,008	92,438	445	40,271	680	–	(44)	–	(270,010)	(128,212)	–	–	(128,212)
Exchange differences on translation of foreign operations recognised directly in equity	–	–	–	–	–	–	(2,161)	–	–	(2,161)	–	–	(2,161)
Loss for the year	–	–	–	–	–	–	–	–	(30,245)	(30,245)	–	–	(30,245)
Total recognised expenses for the year	–	–	–	–	–	–	(2,161)	–	(30,245)	(32,406)	–	–	(32,406)
Sub-total	8,008	92,438	445	40,271	680	–	(2,205)	–	(300,255)	(160,618)	–	–	(160,618)
Recognition of equity-settled share based payments	–	–	–	–	–	5,590	–	–	–	5,590	347	–	5,937
Exercise of share options	–	–	–	–	–	–	–	–	–	–	(28)	–	(28)
Cancellation of share options granted by a subsidiary	–	–	–	–	–	–	–	–	2	2	(2)	–	–
At 31 December 2006 and at 1 January 2007	**8,008**	**92,438**	**445**	**40,271**	**680**	**5,590**	**(2,205)**	**–**	**(300,253)**	**(155,026)**	**317**	**–**	**(154,709)**
Exchange differences on translation of foreign operations recognised directly in equity	**–**	**–**	**–**	**–**	**–**	**–**	**5,271**	**–**	**–**	**5,271**	**–**	**22**	**5,293**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**18,302**	**18,302**	**–**	**3,167**	**21,469**
Total recognised income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**5,271**	**–**	**18,302**	**23,573**	**–**	**3,189**	**26,762**
Sub-total	**8,008**	**92,438**	**445**	**40,271**	**680**	**5,590**	**3,066**	**–**	**(281,951)**	**(131,453)**	**317**	**3,189**	**(127,947)**
Shares issued	**4,320**	**479,624**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**483,944**	**–**	**–**	**483,944**
Transaction costs attributable to issue of shares	**–**	**(12,740)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(12,740)**	**–**	**–**	**(12,740)**
Increase in minority share of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**9,940**	**9,940**
Exercise of share options	**624**	**30,348**	**–**	**–**	**–**	**(7,817)**	**–**	**–**	**–**	**23,155**	**–**	**–**	**23,155**
Exercise of share options of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(235)**	**3,014**	**2,779**
Recognition of equity-settled share based payments	**–**	**–**	**–**	**–**	**–**	**41,488**	**–**	**–**	**–**	**41,488**	**15,914**	**–**	**57,402**
Cancellation of share options granted by a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**8**	**8**	**(8)**	**–**	**–**
Acquisition of additional interest in a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(46,366)**	**–**	**(46,366)**	**–**	**45,024**	**(1,342)**
At 31 December 2007	12,952	589,670	445	40,271	680	39,261	3,066	(46,366)	(281,943)	358,036	15,988	61,167	435,191

Note: Special reserve represents the difference between the fair value and the carrying amount of the net assets attributable to the additional interest in a subsidiary being acquired from minority shareholders during the year ended 31 December 2007. This special reserve will be recognised in the consolidated income statement upon the earlier of the disposal of the subsidiary or the disposal by the subsidiary of the assets to which it relates.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2007

	2007	2006
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
Profit (loss) before tax	**24,568**	(30,245)
Adjustments for:		
Share-based payments expense	**57,402**	5,937
Depreciation	**1,088**	2,965
Finance costs	**4,002**	13,080
Share of loss of an associate	**298**	–
Allowance for bad and doubtful debts	**230**	1,660
Amortisation of prepaid lease payments	**68**	–
Gain on dilution of interest in a subsidiary	**(40,130)**	–
Discount on acquisition of additional interest in a subsidiary	**(1,342)**	–
Interest income	**(6,252)**	(69)
Gain on disposal of property, plant and equipment	**(20)**	(453)
Gain on disposal of partial interest in a subsidiary (net of expenses)	**–**	(1,795)
Operating cashflow before movements in working capital	**39,912**	(8,920)
Increase in inventories	**(4,292)**	(1,312)
Decrease in production work in progress	**–**	2,819
Decrease (increase) in amounts due from customers for contract work	**168**	(808)
Increase in trade receivables	**(138,328)**	(4,076)
Increase in prepayments, deposits and other receivables	**(7,754)**	(1,469)
Increase in income received in advance	**3,733**	3,864
Increase in amounts due to customers for contract work	**227**	1,850
Increase in trade payables	**1,359**	1,773
Decrease in other payables and accruals	**(11,340)**	(586)
Increase in amounts due to directors	**604**	192
Decrease in amounts due to fellow subsidiaries	**(540)**	(1,654)
NET CASH USED IN OPERATING ACTIVITIES	**(116,251)**	(8,327)
INVESTING ACTIVITIES		
Investment in an associate	**(722)**	–
(Increase) decrease in pledged bank deposit	**(7,800)**	16,455
Purchase of property, plant and equipment	**(12,762)**	(3,504)
Acquisition of intangible asset	**(88,633)**	–
Interest received	**6,252**	69
Proceeds from disposal of property, plant and equipment	**20**	453
Proceeds from disposal of partial interest in a subsidiary (net of expenses)	**–**	1,767
Prepaid lease payments	**(5,794)**	–
Advance to an associate	**(1,053)**	–
Advance paid for acquisition of intangible asset	**(35,581)**	–
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(146,073)**	15,240

	2007	2006
	HK$'000	*HK$'000*
FINANCING ACTIVITIES		
Proceeds from issue of shares, net of transaction costs	**471,204**	–
Proceeds from issue of shares of a subsidiary to a minority shareholder, net of transaction costs	**50,235**	–
Exercise of share options	**23,155**	–
Exercise of share options of a subsidiary	**2,614**	–
Net (repayment of) increase in loan from a fellow subsidiary	**(66,360)**	33,740
New bank loan raised	**13,898**	10,000
Repayment of advance from other related parties	**(2,440)**	(4,417)
Repayment of bank loans	**(10,000)**	(28,236)
Interest paid	**(3,850)**	(1,066)
Repayment of obligations under finance leases	**(1,448)**	(3,402)
Repayment to shareholders	**(339)**	–
Repayment of other loans	**(18,295)**	(8,615)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**458,374**	(1,996)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**196,050**	4,917
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**8,596**	3,667
Effect of foreign exchange rate changes	**5,731**	12
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**210,377**	8,596

NOTES:

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

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for the Group's financial year beginning 1 January 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 "Financial Reporting in Hyperinflationary Economies"
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

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

HKAS 1 (Revised)	Presentation of Financial Statements [1]
HKAS 23 (Revised)	Borrowing Costs [1]
HKFRS 8	Operating Segments [1]
HK(IFRIC) -Int 11	HKFRS 2: Group and Treasury Share Transactions [2]
HK(IFRIC) -Int 12	Service Concession Arrangements [3]
HK(IFRIC) -Int 13	Customer Loyalty Programmes [4]
HK(IFRIC) -Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction [3]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 March 2007
[3] Effective for annual periods beginning on or after 1 January 2008
[4] Effective for annual periods beginning on or after 1 July 2008

The Directors anticipate that the application of these standards or interpretations will have no material impact on the results and the 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 2007, the carrying amount of intangible asset was approximately HK$221,545,000 (2006: Nil). 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. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at a suitable discount rate. Where the actual future cash flows are less than expected, an impairment loss may arise.

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

Provision for litigation

The management of the Group monitor any litigation against the Group closely. Provision for the litigation is made based on the opinion of the legal adviser on the possible outcome and liability of the Group. As at 31 December 2007, there is no foreseeable financial impact to the Group and no provision for litigation has been made. Details are set out in note 24.

3. REVENUE

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

	2007	2006
	HK$'000	*HK$'000*
Sales of goods	**180,715**	12,845
CG creation and production income	**51,300**	27,425
Training fee	**10,963**	9,093
Technical service income	**3,131**	2,245
Receipts from distribution of digital motion pictures	**–**	2,929
Rental income from equipment leasing	**16**	383
	246,125	54,920

Included in revenue for the year ended 31 December 2007 is an amount of HK$132,912,000 (2006: Nil) in respect of an goods sold in exchange for intangible asset.

4. SEGMENT INFORMATION

(a) Business segments

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

Segment information about these businesses is presented below:

For the year ended 31 December 2007

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

At 31 December 2007

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

For the year ended 31 December 2006

	CG creation and production *HK$'000*	Digital content distribution and exhibitions *HK$'000*	CG training courses *HK$'000*	Consolidated *HK$'000*
Revenue				
External sales	30,354	15,473	9,093	54,920
Result				
Segment result	64	(7,224)	116	(7,044)
Unallocated corporate income				69
Unallocated corporate expenses				(11,985)
Finance costs				(13,080)
Gain on disposal of partial interest in a subsidiary	–	1,795	–	1,795
Loss for the year				(30,245)

At 31 December 2006

	CG creation and production *HK$'000*	Digital content distribution and exhibitions *HK$'000*	CG training courses *HK$'000*	Consolidated *HK$'000*
BALANCE SHEET				
Assets				
Segment assets	8,417	7,065	1,486	16,968
Unallocated corporate assets				9,533
Consolidated total assets				26,501
Liabilities				
Segment liabilities	13,671	8,413	4,682	26,766
Unallocated corporate liabilities				154,444
Consolidated total liabilities				181,210

(b) Geographical segments

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

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

	2007 ***HK$'000***	2006 *HK$'000*
The PRC	**141,721**	18,266
United States	**68,073**	23,833
Europe	**12,962**	1,990
Middle-East	**12,743**	–
Singapore	**2,573**	4,035
Korea	**499**	2,941
India	**598**	107
Other regions	**6,956**	3,748
	246,125	54,920

5. OTHER INCOME

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

6. ADMINISTRATIVE EXPENSES

Included in the administrative expenses for the year ended 31 December 2007 is an expense of recognition of equity-settled share based payments of approximately HK$57,402,000 (2006: HK$5,937,000) for the share options granted during the year.

7. FINANCE COSTS

	2007	2006
	HK$'000	*HK$'000*
Interest on:		
Loan from a fellow subsidiary	**3,402**	9,601
Bank borrowing wholly repayable within five years	**353**	349
Loans from other related parties	**152**	2,778
Finance leases	**92**	335
Loan from a shareholder	**–**	5
Others	**3**	12
	4,002	13,080

8. GAIN ON DILUTION OF INTEREST IN A SUBSIDIARY

The amount of approximately HK$40,130,000 for the year ended 31 December 2007 included (i) approximately HK$40,295,000 from the gain on dilution of the Group's interest in GDC Technology Limited ("GDC Technology"), a subsidiary of the Company, from approximately 83.3% to 56.3% of the issued capital of GDC Technology upon the completion of the subscription of 52,383,580 shares of GDC Technology by a subscriber at a consideration of US$6.5 million (or equivalent to approximately HK$50,570,000) in January 2007; and (ii) approximately HK$165,000 from the net loss on further dilution of the Group's interest in GDC Technology upon exercise of share options of GDC Technology during the year.

9. INCOME TAX EXPENSE

	2007	2006
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**904**	–
PRC Enterprise Income Tax ("EIT")	**2,195**	–
	3,099	–

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profit for the year.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements for the year ended 31 December 2006 as the Group had no assessable profit arising in Hong Kong for that year.

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

Pursuant to the relevant income tax regulations for productive enterprises with foreign investment established in the PRC and being approved by the relevant PRC tax authority, some subsidiaries in the PRC are eligible for an exemption from PRC EIT for two years starting from the first profit-making year after offsetting all tax losses carried forward from the previous five years, followed by a 50% reduction in the next three years. However, such exemption for some subsidiaries has been expired during the year ended 31 December 2007. For the year ended 31 December 2006, no provision for PRC EIT had been made in the consolidated financial statements as those PRC subsidiaries were either exempted from PRC EIT or did not have assessable profit for that year.

10. PROFIT (LOSS) FOR THE YEAR

	2007	2006
	HK$'000	*HK$'000*
Profit (loss) for the year has been arrived at after charging:		
Staff costs, including directors' emoluments:		
– Salaries, wages and other benefits	**61,148**	24,982
– Retirement benefit scheme contributions	**1,624**	403
– Shared-based payments expense	**57,402**	5,937
Total staff costs	**120,174**	31,322
Less: amounts included in contracts work in progress	**(13,612)**	(1,791)
government grants	**–**	(835)
	106,562	28,696
Allowance for bad and doubtful debts	**230**	1,660
Amortisation of prepaid lease payments	**68**	–
Auditor's remuneration	**1,743**	1,572
Depreciation	**3,137**	5,086
Less: amounts included in contracts work in progress	**(1,514)**	(1,829)
government grants	**(535)**	(292)
	1,088	2,965
Exchange loss (gain), net	**109**	(610)
Cost of inventories recognised as an expense	**137,819**	7,470
Minimum lease payments under operating leases for land and buildings	**6,004**	3,318
Less: amounts included in contracts work in progress	**(1,917)**	(2,278)
	4,087	1,040
Research and development costs	**4,432**	2,422
and after crediting:		
Gain on disposal of property, plant and equipment	**20**	453
Interest income	**6,252**	69

11. EARNINGS (LOSS) PER SHARE

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

	2007	2006
	HK$'000	*HK$'000*
Earnings (loss)		
Earnings for the purposes of basic and diluted earnings (loss) per share (Profit (loss) for the year attributable to equity holders of the Company)	**18,302**	(30,245)

	2007	2006
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share	**1,132,828**	800,820
Effect of dilutive potential ordinary shares:		
Options	**30,608**	–
Weighted average number of ordinary shares for the purposes of diluted earnings (loss) per share	**1,163,436**	800,820

No diluted loss per share has been calculated for the year ended 31 December 2006 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
As at 1 January 2007	4,868
Exchange realignment	287
Additions	12,762
Depreciation	(3,137)
As at 31 December 2007	14,780

13. INTANGIBLE ASSET

	2007	2006
	HK$'000	*HK$'000*
AT COST AND CARRYING VALUE		
Acquisition during the year and at 31 December	**221,545**	–

The cost of investment in the intangible asset represents consideration paid for acquisition of the contracted right from a third party to share a specified percentage of the box office receipts from those cinemas in the PRC using the digital cinema equipment partly sold by the Group for exhibition of digital contents. The intangible asset has definite useful life and is amortised on a straight line basis over 10 years.

14. PREPAID LEASE PAYMENTS

	2007	2006
	HK$'000	*HK$'000*
COST		
Addition during the year and at 31 December	**5,794**	–
AMORTISATION		
Amortisation for the year and at 31 December	**68**	–
CARRYING VALUE		
At 31 December	**5,726**	–

	2007	2006
	HK$'000	*HK$'000*
The Group's prepaid lease payments comprise:		
Medium-term leasehold land in the PRC	**5,726**	–
Analysed for reporting purposes as:		
Current asset	**114**	–
Non-current asset	**5,612**	–
	5,726	–

15. INTEREST IN AN ASSOCIATE

	2007	2006
	HK$'000	*HK$'000*
Cost of investment in an unlisted associate	**722**	–
Share of post-acquisition loss	**(298)**	–
	424	–

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

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

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

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

	2007	2006
	HK$'000	*HK$'000*
Contract costs incurred plus recognised profits less recognised losses	**19,137**	18,488
Less: progress billings	**(19,083)**	(19,530)
	54	(1,042)
Analysed for reporting purposes as:		
Amounts due from customers for contract work	**1,494**	808
Amounts due to customers for contract work	**(1,440)**	(1,850)
	54	(1,042)

17. TRADE RECEIVABLES

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

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

	2007	2006
	HK$'000	*HK$'000*
Within three months	**9,612**	5,514
Three to six months	**1,077**	519
Over six months	**813**	47
	11,502	6,080

18. TRADE PAYABLES

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

	2007	2006
	HK$'000	*HK$'000*
Within three months	**3,853**	2,688
Three to six months	**344**	150
	4,197	2,838

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

19. SECURED BANK BORROWING

	2007	2006
	HK$'000	*HK$'000*
Secured bank loan	**13,898**	10,000

During the year, the Group obtained a new bank loan of approximately HK$14 million and repaid a bank loan of approximately HK$10 million in accordance with the repayment terms. The new bank loan raised is secured by pledge of a property of a fellow subsidiary, carries interest at fixed rate of 6.73% (2006: 6.28%) per annum and is repayable within twelve months from the balance sheet date. The proceeds were used as general working capital for the Group.

20. SHARE CAPITAL

	Number of shares	Share capital
		HK$'000
Ordinary shares of HK$0.01 each Authorised:		
At 1 January 2006 and 2007	1,200,000,000	12,000
Increase during the year	1,200,000,000	12,000
At 31 December 2007	2,400,000,000	24,000
Issued and fully paid:		
At 1 January 2006 and 2007	800,820,000	8,008
Issue of shares	432,000,000	4,320
Exercise of share options	62,425,540	624
At 31 December 2007	1,295,245,540	12,952

21. ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY

On 14 August 2007, GDC Holdings Limited ("GDC Holdings), a wholly-owned subsidiary of the Company, entered into a subscription agreement with GDC Technology, pursuant to which GDC Holdings has conditionally agreed to subscribe 53,388,178 new shares of GDC Technology at HK$2 per share (the "Subscription") at a consideration of approximately HK$106,776,000. The Subscription was completed on 2 November 2007 and the Group's equity interest in GDC Technology increased from approximately 51.1% to 62.4% thereafter.

The Group appointed Messrs Greater China Appraisal Limited, independent qualified professional valuers not connected with the Group, to assist the Group to ascertain the fair value of the net assets of GDC Technology in relation to the acquisition of additional interest in GDC Technology at the date of completion of the Subscription. Intangible assets, mainly including customer orders and technology, have been identified with aggregate amount of fair value of approximately HK$410 million in accordance with the income approach and replacement cost approach while the fair value of other assets and liabilities of GDC Technology at that time did not have significant difference with their respectively carrying amounts.

Accordingly, discount on acquisition of additional interest in GDC Technology of approximately HK$1,342,000 arose, which represented the excess of the Group's additional interest in the fair values of the net assets of GDC Technology over the cost of the Subscription at the date of completion of the Subscription. In addition, it was resulted in a special reserve in the amount of approximately HK$46,366,000 which represented the difference between the fair value and the carrying amount of the net assets of GDC Technology attributable to the additional interest in GDC Technology being acquired.

22. MAJOR NON CASH TRANSACTION

During the year ended 31 December 2007, the Group had goods sold in exchange for intangible asset in the amount of HK$132,912,000 (2006: Nil).

23. CAPITAL COMMITMENT

	2007	2006
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provide in the consolidated financial statements in respect of:		
Acquisition of property, plant and equipment and intangible asset	2,928	–
Investment in an associate	20,954	–
	23,882	–

24. LITIGATION

On 14 May 2003, GDC Entertainment Limited ("GDC Entertainment"), a wholly-owned subsidiary of the Company, entered into a co-production agreement (the "Co-production Agreement") with Westwood Audiovisual and Multimedia Consultants, Inc. ("WAMC") and Production and Partners Multimedia, SAS ("P&PM"), in which the Group has a 25% equity interest, 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 have 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.

FINAL DIVIDEND

The Board does not recommend the payment of any dividend in respect of the year (2006: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

Revenue for the year ended 31 December 2007 was approximately HK$246,125,000, when compared with that of approximately HK$54,920,000 for the year 2006, represented an increase of approximately 348%. The increase was mainly attributable to the increase in revenue from digital content distribution and exhibitions division, and CG creation and production division.

During the year ended 31 December 2007, the Group's revenue from digital content distribution and exhibitions division, which mainly consisted of sales of digital cinema equipment, the relevant technical service income and income from equipment leasing, amounted to approximately HK$183,862,000, increased for approximately 11 times comparing with that for the year 2006. This increase was mainly due to digital cinema equipment sold for the deployment of digital cinema network in the PRC cooperated by China Film Group Corporation ("CFGC") and the Group (the "PRC Digital Cinema Project") during the second half of the year, launch of new products, and upgrading digital cinema servers to the Digital Cinema Initiative ("DCI") specified JPEG2000 code with improved security features. The Group's revenue from CG creation and production division amounted to approximately HK$51,300,000, increase for approximately 69% comparing with that for the year 2006, as a result of increase in both works from new clients and repeated orders from existing clients.

Cost of sales for the year ended 31 December 2007 amounted to approximately HK$165,544,000 which, comparing with that of approximately HK$30,135,000 for the year 2006, represented an increase of approximately 449%.

The Group made a gross profit of approximately HK$80,581,000 for the year ended 31 December 2007, representing a gross profit margin of approximately 33%. Comparing with the gross profit margin of approximately 45% for the year 2006, the decrease was mainly due to the digital cinema equipment, DCI-2000 Digital Cinema Integrated Projection System, sold for the PRC Digital Cinema Project was at a lower margin than the other products.

Other income for the year ended 31 December 2007 amounted to approximately HK$14,413,000 (2006: HK$1,099,000) mainly represented interest income of approximately HK$6,252,000 earned during the year, and the waiver of certain interest payable on other loan and rental payable amounted to approximately HK$4,156,000 and HK$3,228,000, respectively, upon entering into settlement agreements with relevant parties.

Administrative expenses for the year ended 31 December 2007 amounted to approximately HK$99,878,000 (2006: HK$38,365,000), representing an increase of approximately 160%. The increase was mainly due to recognition of equity-settled share based payments of approximately HK$57,402,000 (2006: HK$5,937,000) for the share options granted during the year, and increase in operating expenses as a result of growth in the operations of the Group.

Finance costs for the year ended 31 December 2007 amounted to approximately HK$4,002,000 (2006: HK$13,080,000), representing a decrease of approximately 69%. The decrease was mainly attributable to both decrease in interest to a fellow subsidiary and other related parties of approximately HK$6,199,000 and HK$2,626,000, respectively.

The discount on acquisition of additional interest in a subsidiary for the year ended 31 December 2007 amounted to approximately HK$1,342,000 represented the excess of the Group's additional interest in the fair values of the net assets of GDC Technology over the cost of the subscription of 53,388,178 new shares of GDC Technology at HK$2 per share in November 2007.

Gain on dilution of interest in a subsidiary of approximately HK$40,130,000 for the year ended 31 December 2007 included (i) approximately HK$40,295,000 from the gain on dilution of the Group's interest in GDC Technology from approximately 83.3% to 56.3% of the issued capital of GDC Technology upon the completion of the subscription of 52,383,580 shares of GDC Technology by a subscriber at a consideration of US$6.5 million (or equivalent to approximately HK$50,570,000) in January 2007, and (ii) approximately HK$165,000 from the net loss on further dilution of the Group's interest in GDC Technology upon exercise of share options of GDC Technology during the year. With this additional funding, digital content distribution and exhibitions division has been in a better position to expedite the rolling out of its business plan and enhanced its research and development activities.

Gain on disposal of partial interest in a subsidiary of approximately HK$1,795,000 for the year ended 31 December 2006 mainly represented the gain on transfer of 15% interest in GDC Technology to its management for an aggregate cash consideration of HK$1,600,000 during that year.

Overall, the Group recorded profit of approximately HK$18,302,000 for the year ended 31 December 2007 attributable to equity holders of the Company, when compared with that loss of approximately HK$30,245,000 for the year 2006. Excluding the non-cash expense on recognition of equity-settled share-based payments, such adjusted profit for the year attributable to equity holders of the Company amounted to approximately HK$75,704,000.

BUSINESS REVIEW

Digital content distribution and exhibitions

Digital content distribution and exhibitions division reported a significant improvement for the year ended 31 December 2007. The majority of the revenue was derived from sales of servers, encoders and Network Operation Centre ("NOC") for cinema theatres and digital signage, the products were sold worldwide including the United States, Europe, Africa and Asia markets. The Group also delivered and installed equipment to new 3D digital cinema theatres in Hong Kong with its new product – DCI-2000 Digital Cinema Integrated Projection System. Besides, the certificate of Hong Kong origin with CEPA (Closer Economic Partnership Arrangement) has been issued by Hong Kong Trade and Development Council for DCI-2000 which can exempt the custom duty of DCI-2000 imported to the PRC. The Group continues to be the market leader in Asia, in particularly in the PRC where it enjoys more than 95% market share in digital cinemas in the PRC.

During the year, the Group completed digitalisation of a high profile cinema multiplex in the PRC, based on the state-of-the-art Digital-Cinema-Total-Solution platform designed ground up by the Group. With the Group's total solution for digital cinema, the cinema operator can now display the full array of trailers, advertisements and alternative content on both the in-foyer displays and in-theatres screens through a centrally controlled Theater Management System that in turns is remotely monitored by NOC. The various display devices can now be programmed from the ticketing system to playback all kind of content in coherency and up-to-the-last minute media can be delivered to all the various display devices connected to a central server. The installed system was so successful that other high-end cinema multiplexes in the PRC and Hong Kong also installed the similar system supplied by the Group.

For the Group's networked digital signage solutions, its use is not only limited to cinema multiplex, but also apply to other locations, such as shopping malls. Up to the date of this announcement, the Group has delivered and installed to more than 10 shopping malls in Singapore with its digital signage solutions.

In addition, the Group continued to market its products through participation in international trade exhibitions, such as ShoWest 2007, Beijing International Radio, Television & Film Equipment Exhibition ("BIRTV") 2007 and CineAsia 2007, and high profile demonstration projects during the year. At the China Beijing 5th Digital Cinema Forum held on 24 August 2007 during BIRTV where latest updates on digital cinema businesses and technologies were presented, the Group presented its new SA-2100 DSR™ Digital Film Server capable of playing out 3D content. At the Digital Cinema Forum, this new SA-2100 Server was selected for the 3D screenings of the latest 3D Hollywood feature film trailers and won the coveted 2007 BIRTV Award for Outstanding Product. The same SA-2100 Server can also play out alternative contents such as pre-show entertainment, on-screen-advertisement and HDTV live-events in high quality without the need for another server. Besides, this all-in-one SA-2100 Server can support stereoscopic 3D playback and HDTV live-streaming/recording.

CG creation and production

The Group's business volume in CG creation and production division grew significantly for the year ended 31 December 2007 and it was the first time for this division to have net profit in its entire history. When compared with that for the year 2006, this division reported a growth of 69% in revenue and 103% in gross profit. While the Group received repeated orders from existing clients, the Group also won production contract from two new clients. The success in expending client base was largely attributed to the effective marketing effort and the quality, reliability and predictability of the Group's service, which won recognition in the industry. Three renowned entertainment content distributors in Hollywood have respectively committed to distribute nine direct-to-home movies and three television series produced or co-produced by the Group. Some of these products were already commercially available in the United States, Australia and Europe markets. In addition, one theatrical film partially produced by the Group was released in Europe during the year. At present, in addition to domestic business in the PRC, the Group expands its customer base to North America, Europe, Asia and the Middle East regions.

The Group's achievement in exporting CG animation services and contents has been recognised by the PRC government. The Group was awarded the certificate of "Nationally Recognised Cultural Product Export Company" jointly by the Ministry of Commerce, the Ministry of Culture, the State Administration for Radio, Film and Television (SARFT) and the General Administration of Press and Publication. Such certificate was a prestigious endorsement of the Group's success in positioning itself as an active player in the global digital entertainment market.

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. With the best training, highest graduates employment rate and comprehensive training materials, the Group maintained a leading position in the CG professional training domain in the PRC. The Group was highly recognised by different departments and players in the industry and received several rewards in the PRC, including "The Top ten CG Production Companies in China in 2007" with the first place, "Chinese Blooming CG Hero enterprise Award 2007", "Most Well-received Training Institute in the Prospering Chinese CG Industry in 2007" and "Advanced Work Unit in Training for 2007".

Through continued improvement in the management system, enhancement in the infrastructure, provision of best training environment and focused marketing programs, this division recorded steady revenue growth of approximately 21% for the year ended 31 December 2007, comparing with that for the year 2006.

OUTLOOK

Digital content distribution and exhibitions

Many industry observers agree that the conversion of film projectors-based analogue cinema to digital projector and server based digital cinema will definitely take place as different parties in the industry, including but not limited to film producers, distributors and exhibitors can gain from the digital cinema technology. Digital cinema can achieve cost savings, improved copyrights protection, greater flexibility to exhibitors for the booking of alternative content such as concerts and sporting events, new digital 3D contents and improved visual and audio qualities. However, less than 5% of the world cinemas have converted to digital by the end of the year 2007 with approximately three quarters of the digital screens in the United States. This is largely due to the cost of conversion is a multi-billions undertaking.

Although the conversion to digital is not much, there are a rapidly growing number of cinemas go digital recently, especially in the United States because of the availability of the sound business model, virtual print fees ("VPF") sponsored by the Hollywood studios to finance the conversion of theatres there. During the year, intense negotiations for VPF deals were conducted resulting a European VPF deal, a company in Europe signed VPF contracts with five major Hollywood studios up to the date of this announcement for its roll-out plan of digital cinemas there. The extension of VPF to international territories outside the United States will facilitate the global conversion and it is expected that more VPF deals will be announced in the near future.

The Group is of the view that such trend will bring ample business opportunities to the Group, which is one of the world leading server manufacturers and has been actively developing its digital cinema business in recent years. It is expected there will be further expansion of the Group's business in this division for the year 2008 and thereafter.

The Group also envisages the conversion of public area display systems used for outdoor advertisement to digital systems and has developed a digital signage server – SDM4000 DSR™ Display Maestro in an attempt to capture the potential growth in this market. SDM4000's programmable, networked LCD and LED display solutions offer a dynamic, high-impact medium for the advertising agencies. The Group expects revenue from the sales of SDM4000 will grow significantly in the year 2008.

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 initial production capacity aimed to produce 250 units per month with the aim of ramping up the production to 400 units in the year 2008. The Shenzhen office has also started its 24x7 Customer Service Center, which provides round-the-clock call service for exhibitors and monitors the progress of screenings of movies. Besides, the Group has also set up its office in the United States to enhance its service and marketing activities there.

In addition, CFGDC Digital Cinema company Limited ("PRC Media JV"), the sino-foreign joint venture with CFGC for the deployment of digital cinema network and related businesses in the PRC was established and its 49% interest was transferred to the Group in November 2007. As at 31 December 2007, about 450 units of digital cinema equipment were purchased for installation to cinemas in all the 27 provinces in the PRC. The PRC Digital Cinema Project would be processed further with an aim to promote the digital cinema business in the PRC.

The box office in the PRC increased continuously over the past five years at above 25% per annum, in accordance to the information provided by SARFT, the box office for the year increased by approximately 27% to approximately RMB3.3 billion. With the blooming economy development and the strong domestic consumption in the PRC, it is expected the box office in the PRC will increase further in the future and the revenue of the PRC Digital Cinema Project, which is based on sharing of box office receipts with those cinemas using the digital cinema equipment for distribution of digital motion pictures, will increase accordingly. Besides, CFGC and the Group have also explored the alternative revenue in addition to the share of box office for the PRC Digital Cinema Project.

CG creation and production

Negotiations for new orders and various partnerships for CG creation and production division are underway. Considering the value of orders under discussion and the clients' increased trust and dependency on the Group and the fact that the Group's reputation in the industry is being enhanced, revenue, eliminating seasonal effect, is expected to growth in the foreseeable future. It is worth more appreciation that all existing clients of the Group have expressed interest or commitment to collaborate on new projects with the Group.

The market sensibility, production skills, access to global distribution channels, and profit generated in the past two years formed a solid foundation for the Group's original content creation initiatives. In addition to maintaining rapid growth in work-for-hire content creation business, the Group is actively developing its original content creation business, including in the form of co-production and sole investment, a CG feature movie co-produced by the Group is scheduled to be theatrically released in summer 2008. The Group also expects to start generating IP sales revenue globally through the success of its co-produced properties.

This division certainly is in a rapidly growing market both domestically and internationally. In order to maintain the Group's leadership position in the PRC and siege the market opportunities worldwide, the Group will continuously improve its production efficiency and creative ability. In order to expand its production capacity, the Group will establish another studio in the city of Chongqing, it has completed the feasibility study and reached mutual understanding with the local government on significant business terms such as location and government sponsorship.

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 2009. Upon completion, the Group will own the most modern, largest ever single building constructed and used for the creation of digital entertainment content in the PRC, the Group's production capacity and efficiency will enhance further at that time.

CG training

With the encouragement from the PRC government on subcontracting foreign CG projects and the development of domestic CG and game industries, the demand for equipped people in this field increased. The aim of the Group to provide vocational training and the courses designed by the Group emphasizing practical skills and including more case studies are in line with the market needs and can train up the production capability of the students. Besides, the Group will consider cooperating with the high schools and universities and companies in the CG and game industries to tailor make some advanced courses for their students or employees.

The Group's training centres in Shanghai and Shenzhen have already certified by the local government to be a vocational training centre, and the Group is considering the establishment of its third and forth training centres in the year 2008, this will strengthen the training brand of the Group in the PRC.

To conclude, the Group will further expand its training network throughout the PRC with Shanghai, Shenzhen and its new training centres as the core centers. The Group will also upgrade and strengthen its training system, the quality of its teaching staff and the graduate employment network, and diversify its revenue stream.

LIQUIDITY AND FINANCIAL RESOURCES

The Group had bank balances and cash of approximately HK$210.4 million as at 31 December 2007 (2006: HK$8.6 million) and pledged bank deposit of approximately HK$7.8 million as at 31 December 2007 (2006: Nil) which were mainly denominated in United States dollars, Hong Kong dollars and Renminbi. The increase was mainly from net proceeds received from the issue of shares by the Company and GDC Technology of approximately HK$521.4 million in total during the year ended 31 December 2007, netting off with the purchase of intangible asset and property, plant and equipment of approximately HK$88.6 million and HK$12.8 million, respectively, and the repayment of borrowings of approximately HK$98.9 million.

As at 31 December 2007, the Group's borrowings amounted to approximately HK$49.4 million, of which were repayable within twelve months from 31 December 2007. All borrowings bear interest at market rates.

Gearing ratio (calculated as borrowings divided by equity attributable to equity holders of the Company) as at 31 December 2007 was approximately 14%. There was no gearing ratio presented as at 31 December 2006 as the Group recorded capital deficiency at that moment. As at 31 December 2007, the Group has current ratio of approximately 2.7 (2006: 0.2) based on current assets of approximately HK$250.5 million and current liabilities of approximately HK$93.3 million. The Group's leverage enhanced significantly was mainly attributable to addition funding from issue of shares during the year.

CAPITAL STRUCTURE

The equity attributable to equity holders of the Company amounted to approximately HK$358.0 million as at 31 December 2007 (2006: a capital deficiency of approximately HK$155.0 million). The increase was mainly due to (i) net proceeds from issue of shares by the Company completed in January 2007, March 2007, May 2007 and July 2007, details of which were set out in respective announcements, of approximately HK$471.2 million in total, (ii) profit for the year ended 31 December 2007 attributable to equity holders of the Company of approximately HK$18.3 million, (iii) proceeds from exercise of share options of the Company of approximately HK$23.2 million, (iv) recognition of equity-settled share based payments of the Company of approximately HK$41.5 million, and netting off with (v) special reserve upon the Group's acquisition of additional interest in GDC Tech of approximately HK$46.4 million.

MATERIAL ACQUISITION, DISPOSALS AND SIGNIFICANT INVESTMENT

Other than the dilution of interest in GDC Technology, acquisition of PRC Media JV and acquisition of additional interest in GDC Technology as mentioned in notes 8, 15 and 21, respectively, the Group had no material acquisitions, disposals and significant investment during the year ended 31 December 2007.

CHARGE ON ASSETS

As at 31 December 2007, the Group pledged a deposit amounted to approximately HK$7.8 million (2006: Nil) to a bank to secure a purchase agreement entered into with an independent third party. The pledged bank deposit will be released upon the settlement of the relevant purchase agreement.

FOREIGN EXCHANGE EXPOSURE

Currently, the Group earns revenue in United States dollars and Renminbi, and incurs costs in United States dollars, Renminbi and Hong Kong dollars. The Directors believe that the Group does not have significant foreign exchange exposure. However, if necessary, the Group will consider using forward exchange contracts to hedge against foreign currency exposures. As at 31 December 2007, the Group has no significant exposure under foreign exchange.

CONTINGENT LIABILITIES

Saved as disclosed in note 24 about litigation proceeding, the Group had no significant contingent liabilities as at 31 December 2007.

EMPLOYEES

As at 31 December 2007, the Group employed 424 (2006: 351) full time employees. The Group remunerated its employees mainly with reference to the prevailing market practice, individual performance and experience. Other benefits such as medical coverage, insurance plan, mandatory provident fund, discretionary bonus and employee share option scheme are also available to employee of the Group.

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

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

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the GEM Listing Rules during the financial year ended 31 December 2007.

Details of the Company's compliance with the provisions of the Code during the year will be set out in the Corporate Governance Report in the Company's 2007 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
Chairman

Hong Kong, 20 March 2008

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

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

* *For identification purpose only*