Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

1. GENERAL

The Company is a public limited company incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its controlling shareholder is Shougang Holding (Hong Kong) Limited ("Shougang Holding"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 55.

The financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are effective for accounting periods beginning on or after 1 December 2005 and 1 January 2006. The application of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards, amendment and interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these new standards, amendment or interpretations will have no material impact on how the results and financial position of the Group are prepared and presented.

HKAS 1 (Amendment)	Capital Disclosure[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK (IFRIC) – INT 7	Applying the Restatement Approach under HKAS 29 "Financial Reporting in Hyperinflationary Economies"[3]
HK(IFRIC) – INT 8	Scope of HKFRS 2[4]
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives[5]
HK(IFRIC) – INT 10	Interim Financial Reporting and Impairment[6]
HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions[7]
HK(IFRIC) – INT 12	Service Concession Arrangements[8]

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (continued)

[1] Effective for annual periods beginning on or after 1 January 2007
[2] Effective for annual periods beginning on or after 1 January 2009
[3] Effective for annual periods beginning on or after 1 March 2006
[4] Effective for annual periods beginning on or after 1 May 2006
[5] Effective for annual periods beginning on or after 1 June 2006
[6] Effective for annual periods beginning on or after 1 November 2006
[7] Effective for annual periods beginning on or after 1 March 2007
[8] Effective for annual periods beginning on or after 1 January 2008

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Goodwill

Goodwill arising on an acquisition of a subsidiary, an associate or a jointly controlled entity for which the agreement date is before 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary, associate or jointly controlled entity for which the agreement date is at the date of acquisition.

For previously capitalised goodwill arising on acquisition of a subsidiary, an associate or a jointly controlled entity for which the agreement date is 1 January 2005, the Group has discontinued amortisation from 1 January 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit ("CGU") to which the goodwill relates may be impaired.

Goodwill arising on an acquisition of a subsidiary, an associate or a jointly controlled entity for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary, associate or jointly controlled entity at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the consolidated balance sheet.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant CGUs, or groups of CGUs, that are expected to benefit from the synergies of the acquisition. A CGU to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Interests in associates

An associate is an entity over which the investor has significant influence and there is neither a substantially nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting except when the investment is classified as held for sale (in which case it is accounted for under Hong Kong Financial Reporting Standard ("HKFRS") 5 "Non-current Assets Held for Sale and Discontinued Operations") issued by the HKICPA. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in associates (continued)

On subsequent disposal of an associate, the attributable amount of goodwill capitalised is include in the determination of the amount of profit or loss on disposal.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Interests in an associate and a jointly controlled entity held for sale

Interests in an associate and a jointly controlled entity are classified held for sale if its carrying amount will be recovered principally through a sale transaction. This condition is regarded as met only when the sale is highly probable and the interests in an associate and a jointly controlled entity is available for immediate sale.

Interests in an associate and a jointly controlled entity held for sale are measured at the lower of the carrying amount of the interests in an associate and a jointly controlled entity at the date the held for sale conditions are satisfied and fair value less costs to sell.

Jointly controlled entity

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of a jointly controlled entity are incorporated in the consolidated financial statements using the equity method of accounting except when the investment is classified as held for sale (in which case it is accounted for under HKFRS 5) or when the investment is designated as at fair value through profit or loss upon initial recognition (in which case it is accounted for under HKAS 39). Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the jointly controlled entity, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly controlled entity (continued)

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the jointly controlled entity recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

On subsequent disposal of a jointly controlled entity, the attributable amount of goodwill capitalised is included in the determination of the account of profit or loss on disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable and represents amounts receivable for goods sold and services provided in the ordinary course of business, net of returns, discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Service income and management fee income are recognised when services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Rental income from property and equipment leasing is recognised on a straight-line basis over the relevant lease terms.

Training fee income is amortised over the period of the training course on a straight-line basis. Unearned training fee income received is recorded as training fees received in advance and included under other payables and accruals.

Distribution income of films and television drama is recognised when the films and/or television drama are delivered to the customers.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Receipts from distribution of motion pictures are recognised when the motion pictures are exhibited.

Subcontracting revenue from computer graphic ("CG") creation and production

Where the outcome of a subcontracting contract of CG creation and production can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Where the outcome of a subcontracting contract cannot be estimated reliably, subcontracting revenue is recognised to the extent of contract costs incurred that it is probable to be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the excess is shown as an amount due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the excess is shown as an amount due to customers for contract work. Amounts received before the related work is performed are included in the consolidated balance sheet, as a liability, as income received in advance. Amounts billed for work performed but not yet paid by the customer are included in the consolidated balance sheet under trade receivables.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation are provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in fair value of investment property are included in income statement for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

An owner-occupied property is transferred from property, plant and equipment to investment property at fair value when it is evidenced by end of owner-occupation. The difference between the carrying amount and fair value at the date of transfer is accounted for as a revaluation increase in accordance with HKAS 16 "Property, Plant and Equipment".

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to consolidated income statement.

Rentals payable under operating leases are charged to consolidated income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financials statements. Exchange differences arising on the re-translation of non-monetary items carried at fair value are included in consolidated income statement for the period except for differences arising on the re-translation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in consolidated income statement in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

Borrowing costs

All borrowing costs are recognised as and included in finance cost in the consolidated income statement in the year in which they are incurred.

Retirement benefits costs

Payments to the define contribution retirement benefit schemes are charged as expenses when employees have rendered service entitling them to the contributions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such asset and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in the business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Intangible assets

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is the fair value at the acquisition date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with infinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Production work in progress

Production work in progress is stated at cost less any impairment losses. Costs include all direct costs associated with the production of films or television drama series. Costs are transferred to inventories upon completion.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a Group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in consolidated income statement.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss representing financial assets held for trading. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in consolidated income statement in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including advance to an associate, trade receivables, other receivables, amounts due from associates, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in consolidated income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets *(continued)*

Available-for-sale financial assets (continued)

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in consolidated income statement when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

The Group's financial liabilities including trade payables, other payables, amount due to a fellow subsidiary, amount due to a related party, amounts due to shareholders, amount due to an associate and borrowings are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in consolidated income statement.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

***Derecognition** (continued)*

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in consolidated income statement.

Equity settled share-based payment transactions

Share options granted to employees of the Group

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period with a corresponding increase in equity (share options reserve).

At each balance sheet date, the Group revises its estimates of the numbers of options that are expected to ultimately vest. The effect of the change in estimate, if any, is recognised in profit or loss with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated profits (losses).

For share options granted on or before 7 November 2002 and share options granted after 7 November 2002 but vested before 1 January 2005, the Group did not recognise any financial effect of these share options in accordance with the transitional provisions of HKFRS 2.

Impairment losses (other than goodwill)

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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, are discussed below.

Estimated impairment on advance to an associate and amounts due from associates

As at 31 December 2006, there were an advance to an associate of approximately HK$57,704,000 (2005: Nil) and amounts due from associates of approximately HK$28,168,000 (2005: Nil). In determining whether there is objective evidence of impairment loss, the management of the Group takes into consideration the estimation of future cash flows of the associates, which are mainly engaged in the finance leasing business and investment holding. 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 (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

The management of the Group did not identify any impairment loss on the advance to an associate and amounts due from associates for the year ended 31 December 2006.

Allowance for bad and doubtful debts

In determining whether there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. 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 the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material loss may arise. Allowance for bad and doubtful debts of approximately HK$1,660,000 was made for the year ended 31 December 2006 (2005: HK$521,000).

Write-down of inventories

The management of the Group reviews an aged analysis at each balance sheet date, and makes write-down for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. The management estimates the net realisable value for such raw materials and finished goods based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at each balance sheet date and makes write-down for obsolete items. Write-down of inventories of approximately HK$1,077,000 was made for the year ended 31 December 2006 (2005: HK$2,645,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Write-down of production work in progress

The policy for write-down of production work in progress of the Group is based on the evaluation of the certainty in finalising the distribution/license agreements in the potential markets and on management's judgement. The management estimates the net realisable value for such production work in progress was approximately HK$11,727,000 as at 31 December 2006 (2005: HK$6,248,000). There was no write-down of production work in progress made for the year ended 31 December 2006 (2005: HK$24,712,000).

5. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's major financial instruments include advance to an associate, trade receivables, other receivables, amounts due from (to) associates, investments held for trading, bank balances, trade payables, other payables and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

The Group entities conduct their operations mainly using the functional currencies of the respective group entities. Therefore, the management considers that foreign exchange exposure is minimal and will further consider hedging significant foreign currency exposure should the need arise.

Fair value interest rate risk

The Group's fair value interest rate risk relates primarily to pledged bank deposits, bank balances, advance to an associate and fixed-rate bank borrowings (see Note 33, 34, 38 and 41 for details). The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate change exposure and will consider hedging significant interest rate change exposure should the needs arise.

Cash flow interest rate risk

The Group's cash flow interest rate risk relates primarily to variable-rate bank borrowings (see Note 41 for details of these borrowings). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the cash flow interest rate risk.

5. FINANCIAL INSTRUMENTS (continued)

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt, amounts due from associates and finance lease receivables at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced.

Although the bank balances are concentrated on certain counterparties, the credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The Group's concentration of credit risk by geographical locations is mainly in the United States of America ("USA"), Hong Kong and the People's Republic of China (the "PRC", which for the purpose of this report, does not include Hong Kong, Macau and Taiwan).

The Group has no significant concentration of credit risk except for the amounts due from associates, with exposure spread over a number of counterparties and customers.

Price risk

The Group's held for trading investments are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity security price risk. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

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6. REVENUE

Revenue represents CG creation and films and television drama production income, the amounts received and receivable for goods sold by the Group to outside customers (less returns and trade discounts), revenue arising on training fee, property leasing and management fee income, technical service income, receipts from distribution of motion picture and rental income from equipment leasing, and finance lease income (disclosed as discontinued operation) during the year.

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

	2006	2005
	HK$'000	HK$'000
Continuing operations		
CG creation and production income	**27,425**	4,895
Films and television drama distribution income	**14,962**	8,971
Sale of goods	**12,845**	17,024
Training fee	**9,093**	6,078
Property leasing and management fee income	**7,109**	5,411
Technical service income	**2,245**	724
Receipts from distribution of motion picture	**2,929**	–
Rental income from equipment leasing	**383**	82
	76,991	43,185
Discontinued operation		
Finance lease income	**13,638**	2,626

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7. BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments

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

The Group was also involved in the finance leasing business for the year ended 31 December 2005. That operation was discontinued in June 2006 in accordance with HKFRS 5 as it was carried out by an associate of the Group thereafter. Details of which are set out in Note 13.

Segment information about these divisions is presented below:

For the year ended 31 December 2006

	Continuing operations					Discontinued operation	
	Property leasing and building management services	Digital content distribution and exhibitions	CG creation and films and television drama production	CG training courses	Total	Finance leasing	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	7,109	15,473	45,316	9,093	76,991	13,638	90,629
RESULT	17,338	(7,224)	(3,218)	116	7,012	(4,819)	2,193
Unallocated corporate income					5,097	460	5,557
Unallocated corporate expenses					(39,657)	–	(39,657)
Finance costs					(10,132)	–	(10,132)
Share of result of a jointly controlled entity					1,531	–	1,531
Share of result of an associate					(1,073)	–	(1,073)
Profit on disposal of interests in subsidiaries					26,506	–	26,506
Loss before tax					(10,716)	(4,359)	(15,075)
Income tax expense					(1,103)	–	(1,103)
Loss for the year					(11,819)	(4,359)	(16,178)

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7. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

(a) Business segments (continued)

At 31 December 2006

	Property leasing and building management services	Digital content distribution and exhibitions	CG creation and films and television drama production	CG training courses	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
BALANCE SHEET					
ASSETS					
Segment assets	131,118	7,065	37,872	1,486	177,541
Interest in a jointly controlled entity held for sale					125,489
Interests in associates					15,108
Advance to an associate					57,704
Amounts due from associates					28,168
Unallocated corporate assets					53,154
Consolidated total assets					457,164
LIABILITIES					
Segment liabilities	11,446	8,413	28,203	4,682	52,744
Unallocated corporate liabilities					182,857
Consolidated total liabilities					235,601

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

(a) Business segments (continued)

For the year ended 31 December 2006

	Property leasing and building management services	Digital content distribution and exhibitions	CG creation and films and television drama production	CG training courses	Finance leasing	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
OTHER INFORMATION						
Capital addition	37	1,018	2,843	101	–	3,999
Depreciation of property, plant and equipment	587	382	4,365	855	637	6,826
Amortisation of intangible asset	–	–	–	–	428	428
Allowance for bad and doubtful debts	–	1,660	–	–	–	1,660
Write-down of inventories	–	–	1,077	–	–	1,077
Allowance for finance lease receivables	–	–	–	–	4,649	4,649
Amortisation of prepaid lease payments	80	–	–	–	–	80

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For the year ended 31 December 2006

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

(a) Business segments (continued)

For the year ended 31 December 2005

	Continuing operations					Discontinued operation	
	Property leasing and building management services	Digital content distribution and exhibitions	CG creation and films and television drama production	CG training courses	Total	Finance leasing	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	5,411	17,830	13,866	6,078	43,185	2,626	45,811
RESULT	17,713	(9,148)	(243,895)	89	(235,241)	(1,971)	(237,212)
Unallocated corporate income					2,975	473	3,448
Unallocated corporate expenses					(65,319)	–	(65,319)
Finance costs					(6,930)	(77)	(7,007)
Share of result of a jointly controlled entity					428	–	428
Share of result of an associate					(248)	–	(248)
Loss on disposal of partial interest in a subsidiary					(12,345)	–	(12,345)
Loss before tax					(316,680)	(1,575)	(318,255)
Income tax expense					(2,372)	–	(2,372)
Loss for the year					(319,052)	(1,575)	(320,627)

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7. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

(a) Business segments (continued)

At 31 December 2005

	Property leasing and building management services	Digital content distribution and exhibitions	CG creation and films and television drama production	CG training courses	Finance leasing	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
BALANCE SHEET						
Assets						
Segment assets	109,089	7,981	28,276	6,211	99,009	250,566
Interest in a jointly controlled entity						120,113
Unallocated corporate assets						91,161
Consolidated total assets						461,840
Liabilities						
Segment liabilities	12,323	3,273	35,735	2,455	29,031	82,817
Unallocated corporate liabilities						170,620
Consolidated total liabilities						253,437

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7. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

(a) Business segments (continued)

For the year ended 31 December 2005

	Property leasing and building management services	Digital content distribution and exhibitions	CG creation and films and television drama production	CG training courses	Finance leasing	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
OTHER INFORMATION						
Capital addition	15,913	355	4,162	191	3,040	23,661
Amortisation of intangible asset	–	–	–	–	545	545
Depreciation of property, plant and equipment	815	1,662	4,848	373	642	8,340
Allowance for bad and doubtful debts	–	521	–	–	–	521
Write-down of inventories	–	2,645	–	–	–	2,645
Write-down of production work in progress	–	–	24,712	–	–	24,712
Amortisation of prepaid lease payments	134	–	–	–	–	134
Impairment loss on goodwill arising from acquisition of a subsidiary	–	–	191,457	–	–	191,457

(b) Geographical segments

The Group's five business segments operate in seven main geographical areas, namely the PRC, USA, Hong Kong, Singapore, Europe, Korea, India and other regions. The head office of the Group is located in Hong Kong. The Group's CG creation and films and television drama production centre and the CG training facilities are located in the PRC. Customers of the Group's CG creation and films and television drama production business are mainly located in the PRC and USA and customers of the Group's digital content distribution and exhibitions business are located in the PRC, India, Singapore and other regions.

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

(b) Geographical segments (continued)

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

	2006 HK$'000	2005 HK$'000
Continuing operations		
The PRC	**34,500**	19,348
USA	**23,833**	2,183
Hong Kong	**5,837**	5,411
Singapore	**4,035**	2,439
Europe	**1,990**	4,125
Korea	**2,941**	3,357
India	**107**	2,123
Other regions	**3,748**	4,199
	76,991	43,185
Discontinued operation		
The PRC	**13,638**	2,626

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000
The PRC	**83,924**	120,035	**3,417**	45,359
Hong Kong	**87,201**	124,157	**547**	671
USA	**3,269**	–	**–**	–
India	**–**	196	**–**	–
Singapore	**2,142**	1,717	**35**	42
Other regions	**1,005**	4,461	**–**	–
Total	**177,541**	250,566	**3,999**	46,072

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8. OTHER INCOME

	2006 HK$'000	2005 HK$'000
Continuing operations		
Interest income from bank deposits	**2,251**	905
Dividend income from equity investments	**–**	162
Dividend income from an associate held for sale	**5,490**	1,800
Gain on disposal of property, plant and equipment	**453**	36
Others	**1,078**	821
	9,272	3,724
Discontinued operation		
Interest income from bank deposits	**1**	71
Increase in fair value of investment properties	**–**	367
Others	**459**	402
	460	840

9. FINANCE COSTS

	2006 HK$'000	2005 HK$'000
Continuing operations		
Interest on bank and other borrowings wholly repayable within five years	**9,990**	6,529
Other finance costs	**142**	401
	10,132	6,930
Discontinued operation		
Interest on bank and other borrowings wholly repayable other than five years	**–**	77

10. IMPAIRMENT LOSS ON GOODWILL ARISING FROM ACQUISITION OF A SUBSIDIARY

During the year ended 31 December 2005, the Group acquired 658,466,023 shares, representing a 82.2% of the issued share capital, of Global Digital Creations Holdings Limited ("GDC"). GDC is incorporated in Bermuda and its shares are listed on the Growth Enterprise Market ("GEM") of the Stock Exchange. The principal activities of GDC and its subsidiaries are engaged in CG creation and production, digital content distribution and exhibitions, and provision of CG training courses. Details of this are set out in note 45.

The Directors reviewed the business valuation, the anticipated profitability and the anticipated future operating cash flows of GDC. With reference to the financial results and business operated by GDC, the Directors of the Company identified an impairment loss in respect of goodwill of approximately HK$191,457,000, such amount was dealt with in the consolidated income statement for the year ended 31 December 2005.

11. INCOME TAX EXPENSE

	2006	2005
	HK$'000	HK$'000
Continuing operations		
Current tax:		
Hong Kong		
Provision for the year	**291**	138
(Over) underprovision in prior years	**(2)**	1,792
	289	1,930
Deferred taxation *(Note 43)*:		
Current year	**814**	442
	1,103	2,372

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for both years.

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

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11. INCOME TAX EXPENSE (continued)

No provision for the PRC Enterprise Income Tax ("EIT") was made in the consolidated financial statements as the Group's subsidiaries operating in the PRC either have no assessable profit for both years or 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 of the tax rate in the next three years.

No provision for the PRC EIT was made in the consolidated financial statements for the discontinued operation in the PRC as it has no assessable profit for both years.

The income tax expense for the year can be reconciled to the loss before tax in the consolidated income statement as follows:

	2006	2005
	HK$'000	HK$'000
Loss before tax		
Continuing operations	**(35,427)**	(316,680)
Discontinued operation	**20,352**	(1,575)
	(15,075)	(318,255)
Tax at Hong Kong Profits Tax rate of 17.5%	**(2,638)**	(55,695)
Tax effect on share of result of a jointly controlled entity	**(268)**	(75)
Tax effect on share of result of an associate	**188**	43
Tax effect of expenses not deductible for tax purpose	**8,639**	55,616
Tax effect of income not taxable for tax purpose	**(7,711)**	(5,393)
Overprovision in prior years	**(2)**	1,792
Tax effect of deferred tax assets not recognised	**3,257**	7,502
Tax effect of utilisation of deferred tax assets/tax losses previously not recognised	**(778)**	(3,703)
Effect of tax exemptions granted to the PRC subsidiaries	**224**	320
Effect of different tax rates of subsidiaries operating in other Jurisdictions	**192**	1,965
Income tax expense for the year	**1,103**	2,372

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12. LOSS FOR THE YEAR

	Continuing operations		Discontinued operation		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Loss for the year has been arrived at after charging:						
Staff costs, including Directors' remuneration *(Note 14)*:						
– Salaries, wages and other benefits	**47,255**	50,262	**1,912**	1,274	**49,167**	51,536
– Retirement benefit scheme contributions	**659**	689	**–**	–	**659**	689
– Share-based payment	**5,937**	–	**–**	–	**5,937**	–
Total staff costs	**53,851**	50,951	**1,912**	1,274	**55,763**	52,225
Less: amount included in research and development costs	**(2,422)**	(2,324)	**–**	–	**(2,422)**	(2,324)
	51,429	48,627	**1,912**	1,274	**53,341**	49,901
Minimum lease payments under operating leases for land and buildings	**4,938**	1,947	**–**	–	**4,938**	1,947
Allowance for bad and doubtful debts	**1,660**	521	**–**	–	**1,660**	521
Allowance for finance lease receivables	**–**	–	**4,649**	–	**4,649**	–
Write-down of inventories	**1,077**	2,645	**–**	–	**1,077**	2,645
Amortisation of intangible asset	**–**	–	**428**	545	**428**	545
Amortisation of prepaid lease payments	**80**	134	**–**	–	**80**	134
Auditors' remuneration	**1,000**	1,400	**–**	–	**1,000**	1,400
Depreciation of property, plant and equipment	**6,189**	7,698	**637**	642	**6,826**	8,340
Less: amounts included in production work in progress	**(2,121)**	(5,500)	**–**	–	**(2,121)**	(5,500)
	4,068	2,198	**637**	642	**4,705**	2,840
Impairment loss of property, plant and equipment	**–**	2,350	**–**	–	**–**	2,350
Cost of inventories recognised as an expense	**7,470**	6,980	**–**	–	**7,470**	6,980
Research and development costs	**2,422**	2,324	**–**	–	**2,422**	2,324
Share of tax of a jointly controlled entity	**933**	362	**–**	–	**933**	362
and after crediting:						
Gross rents from investment properties	**7,109**	5,411	**–**	–	**7,109**	5,411
Less: outgoings	**(593)**	(581)	**–**	–	**(593)**	(581)
	6,516	4,830	**–**	–	**6,516**	4,830

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13. DISCONTINUED OPERATION

Discontinued operation

In June 2006, the Group entered into a sale and purchase agreement in respect of a disposal of the Group's 30% effective interest in South China International Leasing Company Limited ("South China Leasing"), which is established in the PRC with principal activities in the provision of finance leasing including the leasing of machinery, equipment, electrical equipment, meters, motor vehicles and the leasing of immovable properties in the PRC at a consideration of HK$25,000,000 (the "Disposal"). South China Leasing is a sino-foreign equity joint venture established in the PRC on 20 May 1989 with an operation term of 40 years expiring in 2029. Upon the completion of the Disposal, the Group's effective interest in South China Leasing decreased from 80% to 50% and South China Leasing became an associate of the Group. Accordingly, the finance leasing business was carried out by the associate of the Group and became a discontinued operation. Details of the Disposal are set out in the circular of the Company dated 6 July 2006.

The profit (loss) for the year from the discontinued operation is analysed as follows:

	2006 HK$'000	2005 HK$'000
Loss of finance leasing business	**(4,359)**	(1,575)
Profit on disposal of interest in a subsidiary	**24,711**	–
	20,352	(1,575)

The results of the finance leasing business for the year were as follows:

	2006 HK$'000	2005 HK$'000
Interest income	**12,721**	2,263
Handling fee income	**917**	363
	13,638	2,626
Cost of sales	**(9,750)**	(719)
Gross profit	**3,888**	1,907
Other income	**460**	840
Administrative expenses	**(8,707)**	(4,245)
Finance costs	**–**	(77)
Loss for the year	**(4,359)**	(1,575)

13. DISCONTINUED OPERATION (continued)

Discontinued operation (continued)

The net assets of the finance leasing business at the date of disposal at 15 June 2006 were as follows:

	HK$'000
Net assets disposed of	
Investment property	1,200
Property, plant and equipment	2,261
Intangible asset	21,438
Finance lease receivables	837,507
Other receivables	119
Bank balances and cash	43,491
Borrowings	(794,672)
Trade and other payables	(11,707)
Income received in advance	(9,229)
Security deposits received	(31,086)
	59,322
Attributable goodwill	1,087
	60,409
Profit on disposal	24,711
Amount due to a group company previously eliminated on consolidation	(58,189)
Interests in associates	(2,456)
Total cash consideration	24,475
Satisfied by:	
Cash	25,000
Direct transaction costs	(525)
	24,475
Net cash outflow arising on disposal:	
Net cash consideration	24,475
Bank balances and cash disposed of	(43,491)
	(19,016)

During the year, the finance leasing business paid approximately HK$755,340,000 (2005: HK$62,847,000) in respect of operating activities, nil amount (2005: payments of approximately HK$3,014,000) in respect of investing activities and receipt of approximately HK$770,659,000 (2005: payment of HK$6,040,000) in respect of financing activities.

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14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the 12 (2005: 11) Directors were as follows:

2006

	Wang Qinghai HJK$'000	Cao Zhong HK$'000	Chen Zheng HK$'000	Wang Tian HK$'000	Cheng Xiaoyu HK$'000	Yuan Wenxin HK$'000	Leung Shun Sang, Tony HK$'000	Choy Hok Man, Constance HK$'000	Tam King Ching, Kenny HK$'000	Hui Hung, Stephen HK$'000	Zhou Jianhong HK$'000	Liu Wei HK$'000	Total HK$'000
Fees	120	-	-	-	-	-	120	48	150	24	150	125	737
Other emoluments													
Salaries and other benefits	-	400	1,920	1,400	1,400	1,400	-	-	-	-	-	-	6,520
Retirement benefit scheme contributions	-	-	72	60	60	60	-	-	-	-	-	-	252
Share-based payment	-	696	696	-	-	-	668	-	-	64	-	-	2,124
Total emoluments	120	1,096	2,688	1,460	1,460	1,460	788	48	150	88	150	125	9,633

2005

	Wang Qinghai HJK$'000	Cao Zhong HK$'000	Chen Zheng HK$'000	Wang Tian HK$'000	Cheng Xiaoyu HK$'000	Yuan Wenxin HK$'000	Leung Shun Sang, Tony HK$'000	Choy Hok Man, Constance HK$'000	Tam King Ching, Kenny HK$'000	Hui Hung, Stephen HK$'000	Zhou Jianhong HK$'000	Total HK$'000
Fees	-	-	-	-	-	-	120	120	150	150	150	690
Other emoluments												
Salaries and other benefits	-	250	1,800	1,400	1,400	750	-	-	-	-	-	5,600
Retirement benefit scheme contributions	-	-	12	12	12	6	-	-	-	-	-	42
Total emoluments	-	250	1,812	1,412	1,412	756	120	120	150	150	150	6,332

No Director waived any emoluments in both years.

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(b) Employees' Emoluments

Of the five individuals with the highest emoluments in the Group, two (2005: three) were Directors of the Company whose emoluments are set out above. The emoluments of the remaining three (2005: two) individual was as follows:

	2006 HK$'000	2005 HK$'000
Salaries and other benefits	5,734	3,270
Contributions to retirement benefits schemes	36	18
	5,770	3,288

Its emolument was within the following bands:

	2006 No. of employees	2005 No. of employees
Nil to HK$1,000,000	–	–
HK$1,000,001 to HK$1,500,000	–	1
HK$1,500,001 to HK$2,000,000	2	–
HK$2,000,001 to HK$2,500,000	–	1
HK$2,500,001 to HK$3,000,000	1	–

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15. LOSS PER SHARE

From continuing and discontinued operations

For the year ended 31 December 2006, the calculation of the basic loss per share is based on the loss for the year attributable to equity holders of the parent of approximately HK$15,204,000 (2005: HK$316,796,000) and on number of shares in issue during the year of 1,136,856,469 shares (2005: weighted average of 1,108,749,469 shares).

No diluted earnings per share has been presented for the year ended 31 December 2006 and 2005 because the exercise price of the Company's share options during the year was higher than the average market price of the shares and the exercise of the subsidiaries' share options would reduce loss per share.

From continuing operations

The calculation of the basic loss per share from continuing operations attributable to equity holders of the parent is based on the following data:

	2006 **HK$'000**	2005 HK$'000
Loss for the year attributable to equity holders of the parent	**(15,204)**	(316,796)
Less: (Profit) loss from discontinued operation	**(20,352)**	1,575
Loss for the purpose of basic loss per share from continuing operations	**(35,556)**	(315,221)

The denominators used are the same as those detailed above for basic loss per share for continuing and discontinued operations.

From discontinued operation

Basic earnings per share for the discontinued operation is HK1.79 cents per share for the year ended 31 December 2006 (2005: basic loss of HK0.14 cents per share), based on the profit for the year from the discontinued operation of approximately HK$20,352,000 (2005: loss of HK$1,575,000). The denominators used are the same as those detailed above for basic loss per share for continuing and discontinued operations.

16. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2005	92,400
Acquired on acquisition a of subsidiary	833
Net increase in fair value recognised in the consolidated income statement	14,767
At 1 January 2006	108,000
Net increase in fair value recognised in the consolidated income statement	8,500
Net increase in fair value of prepaid lease payment upon transfer *(Note)*	146
Exchange realignment	498
Transfer from property, plant and equipment and prepaid lease payments *(Note)*	20,154
Disposal of subsidiary	(1,200)
At 31 December 2006	136,098

The fair value of the Group's investment properties at 31 December 2006 have been arrived at on the basis of a valuation carried out on that date by AA Property Services Limited, independent qualified professional valuers not connected with the Group. AA Property Services Limited is registered firm of the Hong Kong Institute of Surveyors (the "HKIS"), and has appropriate qualifications. The valuation, which conforms to the HKIS Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

All of the Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties. As at 31 December 2006, the carrying amount of such property interests amounted to approximately HK$136,098,000 (2005: HK$108,000,000).

All of the Group's investment properties are held under long leases in Hong Kong and the PRC with the lease term 54 to 128 years and 50 years respectively and investment properties with carrying amount of approximately HK$115,300,000 (2005: HK$85,500,000) have been pledged to banks to secure general banking facilities granted to the Group.

Note: During the year ended 31 December 2006, a building with a carrying amount of approximately HK$15,373,000 and the corresponding prepaid lease payments with a carrying amount of approximately HK$4,781,000 were transferred to an investment property. This property was leased by the Group to South China Leasing for both years. Upon the completion of the Disposal as disclosed in Note 13, South China Leasing became an associate of the Group during the year, and this property was considered as leased out for rental income and therefore transferred to as an investment property. Upon the transfer, the building and prepaid lease payments have been valued by AA Property Services Limited. The valuation, which conforms to the HKIS Valuation Standards, was arrived at by reference to market evidence of transaction price for a similar property.

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17. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Digital film encoders and servers HK$'000	Computer equipment HK$'000	Other fixed assets HK$'000	Total HK$'000
COST						
At 1 January 2005	1,043	373	–	–	4,186	5,602
Exchange realignment	349	409	–	240	3	1,001
Additions	15,347	2,036	–	2,147	4,131	23,661
Acquired on acquisition of subsidiaries	–	368	1,499	10,172	1,285	13,324
Disposals	–	–	–	(397)	(731)	(1,128)
At 31 December 2005 and 1 January 2006	16,739	3,186	1,499	12,162	8,874	42,460
Exchange realignment	–	479	–	641	440	1,560
Additions	–	675	–	3,093	231	3,999
Disposals	–	(2,036)	(1,499)	(1,145)	(1,498)	(6,178)
Transfer to investment properties *(Note 16)*	(15,696)	–	–	–	–	(15,696)
At 31 December 2006	1,043	2,304	–	14,751	8,047	26,145
DEPRECIATION AND IMPAIRMENT						
At 1 January 2005	253	173	–	–	3,510	3,936
Exchange realignment	–	390	–	–	9	399
Provided for the year	351	755	191	5,987	1,056	8,340
Eliminated on disposals	–	–	–	(261)	(469)	(730)
Impairment losses	–	–	1,308	1,042	–	2,350
At 31 December 2005 and 1 January 2006	604	1,318	1,499	6,768	4,106	14,295
Exchange realignment	10	897	–	520	45	1,472
Provided for the year	4	1,077	–	4,493	1,252	6,826
Eliminated on disposals	–	(1,140)	(1,499)	(1,145)	(133)	(3,917)
Transfer to investment properties *(Note 16)*	(323)	–	–	–	–	(323)
At 31 December 2006	295	2,152	–	10,636	5,270	18,353
CARRYING VALUES						
At 31 December 2006	748	152	–	4,115	2,777	7,792
At 31 December 2005	16,135	1,868	–	5,394	4,768	28,165

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17. PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Buildings	2%
Leasehold improvements	Over the lease term
Digital film encoders and servers	10%
Computer equipment	$33^1/_3$%
Other fixed assets	20% – 30%

At 31 December 2006, the net book value of computer equipment of approximately HK$4,115,000 (2005: HK$5,394,000) includes an amount of approximately HK$1,221,000 (2005: HK$2,329,000) and approximately HK$1,094,000 (2005: HK$2,040,000) in respect of assets held under finance leases with third parties and an associate in 2006 (which was a subsidiary in 2005), South China Leasing, respectively.

At 31 December 2006, the Group has pledged buildings with a net book value of approximately HK$748,000 (2005: HK$770,000) to secure general banking facilities granted to the Group.

During the year ended 31 December 2005, the Directors conducted a review of the Group's computer equipment and digital film encoders and servers and determined that a number of those assets were impaired, due to physical damage and technical obsolescence. Accordingly, the carrying amount of computer equipment of one of the Group's subsidiaries amounting to approximately HK$1,042,000 and the carrying amount of the Group's digital film encoders and servers amounting to approximately HK$1,308,000 have been fully impaired. No such impairment loss was identified in respect of the computer equipment by the Directors during the year ended 31 December 2006.

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18. PREPAID LEASE PAYMENTS

	2006	2005
	HK$'000	HK$'000
The Group's prepaid lease payments comprise:		
Long-term leasehold land in Hong Kong	**1,682**	1,714
Medium-term leasehold land in the PRC	**–**	4,779
	1,682	6,493
Analysed for reporting purposes as:		
Current asset	**32**	136
Non-current asset	**1,650**	6,357
	1,682	6,493

As disclosed in Note 16, prepaid lease payments with carrying amount of approximately HK$4,781,000 was transferred to investment properties during the year upon the transfer.

The Group has pledged leasehold land with a net book value of approximately HK$1,682,000 (2005: HK$1,714,000) to secure general banking facilities granted to the Group.

19. GOODWILL

	HK$'000
COST	
Arising on acquisition of a subsidiary *(Note 45)*	209,950
Eliminated on disposal of partial interest in a subsidiary	(18,493)
At 31 December 2005, 1 January 2006 and 31 December 2006	191,457
IMPAIRMENT	
Impairment loss recognised for the year ended 31 December 2005 and balance at 31 December 2005 and 2006	(191,457)
CARRYING VALUES	
At 31 December 2006 and 31 December 2005	–

Particulars regarding impairment testing on goodwill are disclosed in Note 20.

20. IMPAIRMENT TESTING ON GOODWILL

As explained in Note 7, the Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, goodwill with indefinite useful life set out in Note 19 has been allocated to individual CGU mainly represented by CG creation and production segment.

The recoverable amounts of the above CGU have been determined on the basis of value in use calculations. The recoverable amount is based on certain key assumptions. The value in use calculations use cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 15%. Cash flow projections during the budget period for the CGU are based on the expected revenue and gross margins during the budget period. Budgeted revenue and gross margins have been determined based on past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of the above CGU to exceed the recoverable amount of the above CGU.

As disclosed in Note 10, an impairment loss in respect of goodwill of approximately HK$191,457,000 was identified and recognised in the consolidated income statement for the year ended 31 December 2005.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

21. INTANGIBLE ASSET

	Finance lease license HK$'000
COST	
Acquired from acquisition of a subsidiary during 2005 and balance at 31 December 2005 and 1 January 2006	22,411
Disposal of interest in a subsidiary *(Note 13)*	(22,411)
At 31 December 2006	–
AMORTISATION	
Charge for the year ended 31 December 2005 and balance at 31 December 2005 and 1 January 2006	545
Charge for the year	428
Eliminated on disposal of interest in a subsidiary *(Note 13)*	(973)
At 31 December 2006	–
CARRYING VALUES	
At 31 December 2006	–
At 31 December 2005	21,866

The Group's finance lease license was purchased as part of a business combination during the year ended 31 December 2005.

The Directors amortised the cost on a straight-line basis over 24 years which is the remaining valid period of the business license of that subsidiary.

22. INTEREST IN A JOINTLY CONTROLLED ENTITY HELD FOR SALE

At 31 December 2006, the Group had interest in the following jointly controlled entity:

Name of entity	Form of business structure	Place of incorporation and operation	Proportion of nominal value of issued ordinary share capital indirectly held by the Company	Principal activities
Beijing Dongzhimen International Apartment Co. Ltd. ("Beijing Dongzhimen")	Sino-foreign equity joint venture	The PRC	44%	Property holding and provision of residential service apartments

Beijing Dongzhimen is a sino-foreign equity joint venture which was established in the PRC on 18 December 1986 with a tenure of 14 years and 8 months to 17 August 2001 (the "initial JV term"). The extension of the initial JV term for a further period of 15 years from the date of expiry of the initial JV term to 17 August 2016 has been approved by the relevant authorities.

Beijing Dongzhimen has obtained approval from relevant authorities to further extend the land use right of the residential service apartments for 40 years following the expiry of the initial JV term.

On 1 December 2006, the Group has entered into an agreement (the "Disposal Agreement") with China Beijing Shougang Hotel Development Company, a company incorporated in the PRC and is a wholly-owned subsidiary of Shougang Corporation, and Strength Up Investments Limited, a company incorporated in the British Virgin Islands ("BVI") and is a wholly-owned subsidiary of Shougang Holding (hereinafter collectively referred to as the "Purchasers") in relation to the disposal of Beijing Dongzhimen, for a consideration of RMB170,000,000 (equivalent to approximately HK$164,360,000) (the "Disposal of Beijing Dongzhimen"). Accordingly, Beijing Dongzhimen became a jointly controlled entity held for sale as at 31 December 2006 and has been accounted for under HKFRS 5.

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22. INTEREST IN A JOINTLY CONTROLLED ENTITY HELD FOR SALE (continued)

According to the Disposal Agreement, in any event that the Purchasers and/or Beijing Dongzhimen effect substantial changes to the existing use and/or existing operating model of its principal underlying asset, East Lake Villas or to directly or indirectly dispose of East Lake Villas and/or the site where East Lake Villas is located or to redevelop East Lake Villas and/or the site within five years from the date of completion of the Disposal of Beijing Dongzhimen, the Group can, within three months from the date of occurrence of such changes, request the Purchasers to appoint a qualified valuer as approved by the Group and in accordance with the relevant requirements of the Listing Rules, to assess the new valuation of East Lake Villas and/or the site based on such changes and other principles as the parties may agree. The Purchasers shall, based on their proportional interests to be purchased from the Group upon the Disposal of Beijing Dongzhimen, pay to the Group the difference between the consideration of RMB170,000,000 and the 44% acquiring interest in Beijing Dongzhimen in the new valuation of East Lake Villas and/or the site within three months from the date of issuance of the new valuation report, if any. Up to the date of this report, the Purchasers have expressed no intention to dispose of the 44% acquiring interest in Beijing Dongzhimen or to procure Beijing Dongzhimen to dispose of or to redevelop East Lake Villas and/or the site and/or to effect any substantial change to the existing use and/or its existing operating model of East Lake Villas within five years from the date of completion of the Disposal of Beijing Dongzhimen.

The Disposal of Beijing Dongzhimen was subsequently approved by the independent shareholders of the Company in January 2007. The Directors considered that the net proceeds of the Disposal of Beijing Dongzhimen were in excess of the carrying amount of the Group's interest in Beijing Dongzhimen at the date of disposal and no impairment loss has been identified for the year ended 31 December 2006. Details of the Disposal of Beijing Dongzhimen are set out in the circular of the Company dated 27 December 2006.

For the year ended 31 December 2005, Beijing Dongzhimen was a jointly controlled entity of the Group and the Group's share of net assets and results of Beijing Dongzhimen was accounted for using the equity method under HKAS 31 "Interests in Joint Ventures".

22. INTEREST IN A JOINTLY CONTROLLED ENTITY HELD FOR SALE (continued)

The summarised financial information in respect of Beijing Dongzhimen is set out below:

	2006	2005
	HK$'000	HK$'000
Non-current assets	**446,403**	453,273
Current assets	**12,525**	11,277
Current liabilities	**(108,080)**	(102,236)
Non-current liabilities	**(65,646)**	(89,329)
Net assets	**285,202**	272,985
Group's share of net assets	**125,489**	120,113
Income	**110,469**	106,836
Expenses	**(106,989)**	(105,864)
Profit for the year	**3,480**	972
Group's share of result	**1,531**	428

23. INTERESTS IN ASSOCIATES

	2006	2005
	HK$'000	HK$'000
Cost of investment in unlisted associate	**16,961**	780
Share of post-acquisition results	**(1,073)**	–
Less: Impairment loss recognised	**(780)**	(780)
	15,108	–

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For the year ended 31 December 2006

23. INTERESTS IN ASSOCIATES (continued)

Details of the Group's principal associates at 31 December 2006 are as follows:

Name of entity	Form of business structure	Place of incorporation/ registration and operation	Proportion of nominal of value issued share capital held by the Group	Principal activities
Jeckman Holdings Limited ("Jeckman") *(Note i)*	Incorporated	BVI	50%	Investment holding
South China Leasing *(Note ii)*	Incorporated	The PRC	50%	Leasing of property, plant and equipment
Top Pearl International Development Limited ("Top Pearl")	Incorporated	BVI/ The PRC	50%	Property development

The summarised financial information in respect of the Group's associates is set out bellows:

	2006 HK$'000	2005 HK$'000
Total assets	**1,114,636**	–
Total liabilities	**(1,085,994)**	–
Net assets	**28,642**	–
Group's share of net assets of an associate	**14,321**	–
Goodwill *(Note)*	**787**	–
	15,108	–
Revenue	**42,101**	–
Loss for the period (subsequent to disposal of interest in Jeckman)/year	**(2,146)**	(620)
Group's share of result of associates for the year	**(1,073)**	(248)

23. INTERESTS IN ASSOCIATES (continued)

Note:

GOODWILL

	HK$'000
Arising from acquisition during the year	1,087
Release upon disposal of interest in an associate	(300)
As at 31 December 2006	787

Notes:

(i) Jeckman is the immediate holding company of South China Leasing which holds 60% equity interest of South China Leasing.

(ii) In January 2005, the Group, through its wholly owned subsidiary, Jeckman, acquired a 40% equity interest of South China Leasing and recognised share of post-acquisition loss of South China Leasing of approximately HK$248,000 in the consolidated income statement. South China Leasing subsequently became a subsidiary of the Company upon further acquisition of 20% equity interest by the Group in May 2005. In January 2006, the Group further acquired 20% effective interest in South China Leasing, through an acquisition of a wholly owned subsidiary, Valuework Investment Holdings Limited ("Valuework"). Particulars regarding the acquisitions of South China Leasing and Valuework are disclosed in Note 45.

In June 2006, the Group disposed of a 50% equity interest of Jeckman, which represented an effective disposal of a 30% interest in South China Leasing. Upon the completion of the Disposal, the Group's effective interest in South China Leasing decreased from 80% to 50% and the Group's equity interest of Jeckman decreased from 100% to 50%. Accordingly, Jeckman and South China Leasing became associates of the Group since June 2006. Particulars regarding the Disposal of South China Leasing are disclosed in Note 13.

24. AVAILABLE-FOR-SALE INVESTMENT

	2006 & 2005 HK$'000
Unlisted equity securities	–

At 31 December 2006, investment represents 25% equity interest in Production and Partners Multimedia, SAS ("P&PM"), a company incorporated in France. Since the Group did not have any significant influence in the investee, the investment is accounted for in accordance with the Group's accounting policy for financial assets – available-for-sale investment in accordance with HKAS 39. The investment was acquired on acquisition of a subsidiary during the year ended 31 December 2005 with a fair value of nil.

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25. FINANCE LEASE RECEIVABLES

During the year ended 31 December 2005, the Group started finance leasing business upon acquisition of South China Leasing as disclosed in Note 45. All interest rates inherent in the leases are fixed at the contract date over the lease terms. The business was discontinued during 2006. Particulars of the discontinued operation are disclosed in Note 13.

	Minimum lease receipts As at 31 December 2005	Present value of minimum lease receipts As at 31 December 2005
	HK$'000	HK$'000
Finance lease receivables comprise:		
Within one year	37,364	33,513
In more than one year but not more than two years	27,333	25,594
In more than two years but not more than three years	4,738	3,981
In more than three years but not more than four years	3,401	3,009
In more than four years but not more than five years	1,687	1,611
	74,523	67,708
Less: Unearned finance income	(6,815)	N/A
Present value of minimum lease receipts	67,708	67,708
Analysed as:		
Current finance lease receivables (receivable within 12 months)		33,513
Non-current finance lease receivables (receivable after 12 months)		34,195
		67,708

Effective interest rates of the above finance leases range from 5% to 6%.

25. FINANCE LEASE RECEIVABLES (continued)

Finance lease receivables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	RMB'000
As at 31 December 2005	70,491

Unguaranteed residual values of assets leased under finance leases at 31 December 2005 are estimated at approximately HK$9,000.

As at 31 December 2005, finance lease receivables of approximately HK$37,193,000 has been pledged against general banking facilities granted to the Group.

The fair values of the Group's finance lease receivables approximated to the corresponding carrying amounts.

26. INVENTORIES

	2006 HK$'000	2005 HK$'000
Raw materials, net of write-down of approximately HK$135,000 (2005: HK$475,000)	**1,770**	448
Finished goods, net of write-down of approximately HK$597,000 (2005: HK$2,170,000)	**9,031**	7,374
	10,801	7,822

27. PRODUCTION WORK IN PROGRESS

	2006 HK$'000	2005 HK$'000
Movie and television series, net of write-down of approximately HK$318,000 (2005: HK$24,712,000)	**11,727**	6,248

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28. INTEREST IN AN ASSOCIATE HELD FOR SALE

	2006 HK$'000	2005 HK$'000
Unlisted equity security, at cost	–	28,816

The above unlisted investment represents an investment of 30% interest in an associate, which is a private entity established in the PRC and is engaged in the business of property development, acquired during the year ended 31 December 2005, at consideration of RMB30,000,000 (equivalent to approximately HK$28,816,000). This investment is accounted for in accordance with the Group's accounting policy for investment in an associate held for sale in accordance with HKFRS 5.

During the year ended 31 December 2006, this investment was disposed of at a consideration of RMB30,000,000 (equivalent to approximately HK$28,816,000).

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

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

	2006 HK$'000	2005 HK$'000
Contract costs incurred plus recognised profits less recognised losses	18,488	–
Less: progress billings	(19,530)	–
	(1,042)	–
Analysed for reporting purposes as:		
Amounts due from customers for contract work	808	–
Amounts due to customers for contract work	(1,850)	–
	(1,042)	–

30. TRADE RECEIVABLES

	2006	2005
	HK$'000	HK$'000
Trade receivables	**11,732**	7,610
Less: Allowance for bad and doubtful debts	**(1,660)**	(521)
	10,072	7,089

The Group allows an average credit periods of 90 days to its trade customers. The following is an aged analysis of the trade receivables at the balance sheet date:

	2006	2005
	HK$'000	HK$'000
0 – 90 days	**9,506**	5,283
91 – 180 days	**519**	1,455
> 180 days	**47**	351
	10,072	7,089

The fair value of the Group's trade receivables at 31 December 2006 and 2005 approximates to the corresponding carrying amount.

31. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The fair value of the Group's other receivables at 31 December 2006 and 2005 approximates to the corresponding carrying amount.

32. INVESTMENTS HELD FOR TRADING

Investments held for trading as at 31 December 2006 represent equity securities listed in Hong Kong.

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

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33. PLEDGED BANK DEPOSITS

The amounts represents deposit pledged to banks to secure short-term banking facilities granted to the Group and are therefore classified as current assets.

The deposits carry floating interest rate of prevailing bank saving deposits rate ("prime rate") plus 1%. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

The fair value of pledged bank deposits at 31 December 2006 and 2005 approximates to the corresponding carrying amount.

34. BANK BALANCES AND CASH

The Group's bank deposits carry interest rate at prevailing bank saving deposits rate with maturity of less than 3 months. The Directors of the Company consider that the carrying amount of the Group's bank balances approximates to their fair value.

35. TRADE PAYABLES

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

	2006	2005
	HK$'000	HK$'000
0 – 90 days	**3,694**	4,368
91 – 180 days	**150**	16
>180 days	**–**	40
	3,844	4,424

The fair value of the Group's trade payables at 31 December 2006 and 2005 approximates to the corresponding carrying amount.

36. OTHER PAYABLES AND ACCRUALS

The fair value of the Group's other payables at 31 December 2006 and 2005 approximates to the corresponding carrying amount.

37. INCOME RECEIVED IN ADVANCE

As at 31 December 2005, the income received in advance represented handling fee income received from finance lease receivables for administrative services provided over the relevant lease term and advance payment received from an investee.

As at 31 December 2006, the income received in advance represent training fee income received in advance before the training courses are completed and production and distribution income of films and television drama received before completion of production and distribution of films and television drama from the customers.

	2006	2005
	HK$'000	HK$'000
Analysed for reporting purposes of:		
Current	**12,549**	6,714
Non-current	**–**	1,194
	12,549	7,908

38. LOAN TO/ADVANCE TO/AMOUNT DUE FROM (TO) ASSOCIATES

(a) Loan to Top Pearl

	2006	2005
	HK$'000	HK$'000
Loan to Top Pearl	**27,900**	27,900
Due from Top Pearl	**3,589**	3,589
	31,489	31,489
Less: Allowance for bad and doubtful debt	**(31,489)**	(31,489)
	–	–

The loan of approximately HK$27,900,000 as at 31 December 2006 and 2005 to Top Pearl is unsecured, interest-bearing at 15% per annum and has no fixed terms of repayment. The amount "Due from Top Pearl" is unsecured, interest-free and has no fixed terms of repayment. All of these amounts have been fully impaired at the balance sheet date.

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38. LOAN TO/ADVANCE TO/AMOUNT DUE FROM (TO) ASSOCIATES (continued)

(b) Advance to an associate

The amount is unsecured, non-interest bearing and has no fixed terms of repayment. In the opinion of the Directors, the Company will not demand repayment within one year from the balance sheet date and is therefore considered as non-current. Such non-interest bearing advance is measured at amortised cost determined using the effective interest method at subsequent balance sheet dates. The effective interest rate used was 6%, being approximates to the prevailing market borrowing rate of interest for a similar instrument.

The fair value of the advance to an associate approximate to the corresponding carrying amount.

(c) Amounts due from (to) associates

The amounts are unsecured and are repayable on demand which is non-interest bearing.

The fair values of the amounts due from (to) associates approximate to the corresponding carrying amounts.

39. AMOUNT DUE TO A FELLOW SUBSIDIARY/AMOUNTS DUE TO SHAREHOLDERS

	Notes	2006 HK$'000	2005 HK$'000
Amount due to a fellow subsidiary			
– due within one year:			
Shougang (Hong Kong) Finance Company Limited ("Shougang Finance")	(a)	–	24,260
Amounts due to shareholders			
– due within one year:			
Mr. Anthony Francis Neoh	(b)	–	22,403
Bright Oceans Corporation (HK) Limited	(c)	512	3,659
		512	26,062
Amount due to a fellow subsidiary			
– due after one year			
Shougang Finance	(d)	40,000	–

Notes:

(a) The loan was unsecured, interest bearing at a prevailing market rate per annum and was fully settled during the year ended at 31 December 2006.

(b) The loan from Mr. Anthony Francis Neoh of approximately HK$18,295,000 is unsecured, interest bearing at the best lending rate as quoted by the Hong Kong and Shanghai Banking Corporation Limited ("Best Lending Rate") plus 3% per annum and is repayable on demand. The amount due to Mr. Anthony Francis Neoh of approximately HK$5,613,000 is unsecured, non-interest bearing and is repayable on demand. As at 31 December 2006, both balances were assigned to a third party, Win Real Management Limited. Accordingly, the amounts were reclassified as other loans.

(c) The loan is unsecured and is repayable on demand. Except for an amount of HK$303,000 which is non-interest bearing, the remaining amount is interest bearing at the Best Lending Rate plus 3% per annum. The fair value of the balance at 31 December 2006 and 2005 approximates to the corresponding carrying amount.

(d) The amount is unsecured, interest bearing at a fixed rate of 5% per annum and is repayable on 31 March 2008. The fair value of the balance at 31 December 2006 approximates to the corresponding carrying amount.

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40. AMOUNT DUE TO A RELATED PARTY/AMOUNT DUE TO A FORMER SHAREHOLDER OF A SUBSIDIARY

	Notes	2006 HK$'000	2005 HK$'000
Amounts due to a related party			
– due within one year:			
Madam Chan Wing Yee, Betty	(a)	**1,201**	1,098
Mr. Raymond Dennis Neoh	(b)	**575**	–
		1,776	1,098
Amount due to a former shareholder of a subsidiary			
– due after one year	(b)	**455**	1,495

Notes:

(a) The amount due to Madam Chan Wing Yee, Betty, the spouse of Mr. Anthony Francis Neoh who is a shareholder of the Company, is unsecured and is repayable on demand. Except for an amount of approximately HK$201,000 which is non-interest bearing, the remaining amount is interest bearing at the Best Lending Rate plus 3% per annum. The fair value of the balance as at 31 December 2006 and 2005 approximates to the corresponding carrying amount.

(b) The amount is unsecured, non-interest bearing and is stated at amortised cost at effective interest rate of 9.8%.

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41. BORROWINGS

	2006 HK$'000	2005 HK$'000
Bank overdrafts	–	2,250
Bank loans	**85,000**	88,972
	85,000	91,222
Other loans	**32,883**	28,600
	117,883	119,822
Secured	**75,000**	66,263
Unsecured	**42,883**	53,559
	117,883	119,822
Carrying amount repayable:		
On demand or within one year	**53,818**	76,648
More than one year, but not exceeding two years	**19,238**	30,354
More than two years, but not more than three years	**29,202**	12,820
More than three years, but not more than four years	**12,500**	–
More than four years, but not more than five years	**3,125**	–
	117,883	119,822
Less: Amounts due within one year shown under current liabilities	**(53,818)**	(76,648)
Amounts due after one year	**64,065**	43,174

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41. BORROWINGS (continued)

The exposure of the Group's fixed-rate borrowings and the contractual maturity dates are as follows:

	2006	2005
	HK$'000	HK$'000
Fixed-rate borrowings which are within one year		
– Bank loans	**10,000**	44,345
– Other loans	**14,588**	14,730

The ranges of effective interest rates (which are equal to contractual interest rates) on the Group's borrowings as follows:

	2006	2005
Effective interest rate:		
Fixed-rate borrowings		
– Bank loans	**6.138%**	6%
– Other loans	**7% to 15%**	6% to 15%
Variable-rate borrowings		
– Bank loans	**HIBOR plus**	HIBOR plus
	1% to 1.375%	1.35% to 1.75%
– Other loans	**3%**	3%

The Group's borrowings that are denominated in currencies other than functional currencies of the relevant group entities are set out below:

	US$'000	RMB'000
As at 31 December 2006	**2,500**	10,995
As at 31 December 2005	**2,500**	30,000

The Directors consider that the carrying amount of fixed rate borrowings approximates their fair values.

42. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases				
Within one year	**1,567**	3,135	**1,484**	2,761
In more than one year but not more than two years	**504**	738	**489**	716
	2,071	3,873	**1,973**	3,477
Less: future finance charges	**(98)**	(396)	**N/A**	N/A
Present value of lease obligations	**1,973**	3,477	**1,973**	3,477
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(1,484)**	(2,761)
Amount due for settlement after 12 months			**489**	716

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

All finance lease obligations are denominated in Hong Kong dollars, the functional currency of the subsidiary entered into these arrangements.

The lease term ranges from two to three years. Interest rates are fixed at the contract date ranged from 6.3% to 12.3% per annum (2005: 5.7% per annum). All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Directors consider that the carrying amount of the obligations under finance leases approximates to their fair value.

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43. DEFERRED TAX LIABILITIES

The following are the major deferred tax (assets) liabilities recognised and movements thereon during the current and prior years:

	Investment properties HK$'000	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Other HK$'000	Total HK$'000
At 1 January 2005	679	44	(442)	–	281
Arising on acquisition of a subsidiary	–	(118)	–	(33)	(151)
Charge (credit) to consolidated income statement	2,584	(2,050)	(125)	33	442
At 31 December 2005 and 1 January 2006	3,263	(2,124)	(567)	–	572
(Credit) charge to consolidated income statement	(1,327)	2,259	(118)	–	814
At 31 December 2006	1,936	135	(685)	–	1,386

At the balance sheet date, the Group has unused tax losses of approximately HK$106,734,000 (2005: HK$92,698,000) available for offset against future profits subject to approval from the relevant tax authority. A deferred tax asset has been recognised in respect of approximately HK$3,915,000 (2005: HK$3,240,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$102,819,000 (2005: HK$89,458,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of Nil (2005: HK$2,955,000) that will expire in 2008. Other losses may be carried forward indefinitely.

At the balance sheet date, the Group has deductible temporary differences of approximately HK$32,716,000 (2005: HK$32,583,000) attributable to the difference between tax allowances and depreciation. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

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44. SHARE CAPITAL

	2006 Number of shares	2006 Nominal value HK$'000	2005 Number of shares	2005 Nominal value HK$'000
Ordinary shares of HK$0.01 each				
Authorised:				
At 1 January and 31 December	**2,000,000,000**	**20,000**	2,000,000,000	20,000
Issued and fully paid:				
At 1 January	**1,136,856,469**	**11,369**	939,316,667	9,393
Issued in consideration for acquisition of the issued share capital of GDC *(Note (a) and 45)*	**–**	**–**	197,539,802	1,976
At 31 December	**1,136,856,469**	**11,369**	1,136,856,469	11,369

Note (a): These shares rank pari passu in all material respects with other shares in issue.

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45. ACQUISITION OF SUBSIDIARIES

(a) In January 2005, the Group acquired a 40% equity interest of South China Leasing for approximately HK$2,861,000. Accordingly, the payment for acquisition of an associate previously prepaid in September 2004 was transferred as investment cost of an associate during the year ended 31 December 2005. In May 2005, the Group has further acquired an additional 20% equity interest of South China Leasing at a consideration of approximately HK$1,471,000 and it became a subsidiary of the Company since 26 May 2005. For the year ended 31 December 2005, net cash inflow arising on acquisition of South China Leasing was amounted to approximately HK$5,666,000. As at 31 December 2005, the Group held a 60% equity interest of South China Leasing.

(b) In February 2005, the Group acquired 461,833,761 shares of GDC, representing approximately a 57.7% of the then issued share capital of GDC through share exchange of 138,550,125 shares of the Company. Subsequently in February and March 2005, the Group further acquired in aggregate of 196,632,262 shares of GDC, representing approximately a 24.5% of the issued share capital of GDC through share exchange of 58,989,677 shares of the Company. On 7 September 2005, the Group placed 58,000,000 shares of GDC, representing approximately a 7.24% of the issued share capital of GDC to the placees. As at 31 December 2005, the Group held an aggregate of 600,466,023 shares of GDC, representing approximately 74.9% of the issued share capital of GDC.

For the year ended 31 December 2005, net cash inflow arising on acquisition of GDC was amounted to approximately HK$3,112,000.

(c) In July 2005, the Group also entered into an agreement to acquire the entire interest in Valuework, which holds a 20% equity interest in South China Leasing at a consideration of approximately HK$1,460,000 (the "Acquisition"). The consideration of the Acquisition has been fully settled by the Group to the vendor in January 2006 and since then the Group's effective interest in South China Leasing has increased from 60% to 80%.

45. ACQUISITION OF SUBSIDIARIES (continued)

(c) (continued)

The net assets acquired in the above purchase transaction accounted for using the purchase method, and the goodwill arising, are as follows:

	Acquiree's carrying amount before combination	Fair value adjustment	Fair value
	HK$'000	HK$'000	HK$'000
Net assets acquired:			
Interest in South China Leasing	4,818	–	4,818
Bank balances and cash	65	–	65
Other payables and accruals	(4,510)	–	(4,510)
	373	–	373
Goodwill *(Note 23)*			1,087
Total consideration, satisfied by cash			1,460
Net cash outflow arising on acquisition:			
Cash consideration paid			(1,460)
Cash and cash equivalents acquired			65
			(1,395)

Valuework did not contribute any revenue and loss before tax to the Group for the period between the date of acquisition and the balance sheet date.

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46. LITIGATION

(a) 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 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 in any event 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 Coproduction 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 has referred 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 apart from recently. 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 further conduct of the arbitration.

46. LITIGATION (continued)

(b) On 16 August 2006, 深圳大學文化科技服務有限公司 ("Shenzhen University") commenced legal action in the People's Court (Nanshan District) ("Nanshan Court") in the PRC against Institute of Digital Media Technology (Shenzhen) Limited ("IDMT Shenzhen"), a non-wholly-owned subsidiary of the Company for, among others, unpaid rent, related expenses and compensation in the amount of RMB8,960,000. On 14 September 2006, IDMT Shenzhen filed a counterclaim against Shenzhen University for, among others, compensation for renovation fee and relocation expenses in the amount of approximately RMB10,726,000 and RMB6,000,000, respectively, and returns of rental deposit. On 19 March 2007, Shenzhen University filed an application to the Nanshan Court to withdraw its claim against IDMT Shenzhen. On 22 March 2007, IDMT Shenzhen filed an application to the Nanshan Court to withdraw its counter claim against Shenzhen University. Both applications are pending for approval by the Nanshan Court.

The Directors are of the opinion that liability of the above claims is not probable. Accordingly, no provision for any potential liability has been made in the consolidated financial statements.

47. MAJOR NON CASH TRANSACTIONS

For the year ended 31 December 2005, the major non-cash transactions were as follow:

(i) Part of the consideration of the acquisition of a subsidiary during the year was through share exchange at approximately HK$153,349,000. Further details of the acquisition are set out in Note 45.

(ii) The Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of approximately HK$8,994,000.

For the year ended 31 December 2006, there was a reclassification of amounts due to shareholders to other payables with details set out in Note 39(b).

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48. OPERATING LEASES

The Group as lessor

Property rental income earned during the year was approximately HK$7,109,000 (2005: HK$5,411,000). All of the properties held have committed tenants for the next one to three years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2006	2005
	HK$'000	HK$'000
Within one year	**4,169**	3,108
In the second to fifth years inclusive	**2,298**	678
	6,467	3,786

The Group as lessee

Minimum lease payments paid under operating lease in respect of office premises during the year was approximately HK$4,938,000 (2005: HK$1,947,000).

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2006	2005
	HK$'000	HK$'000
Within one year	**2,648**	1,917
In the second to fifth years inclusive	**3,611**	4,936
Over five years	**3,905**	–
	10,164	6,853

Operating lease payments represent rentals payable by the Group for certain of its office premises, production studio, training centers, warehouse and staff quarters. Leases for properties are negotiated for a term ranging from one to ten years with fixed rentals.

49. CAPITAL COMMITMENTS

	2006	2005
	HK$'000	HK$'000
The Group's share of the capital commitments of its jointly controlled entity contracted but not provided for	–	1,653

50. OTHER COMMITMENTS

	2006	2005
	HK$'000	HK$'000
Expenditure contracted for but not provided in the financial statements in respect of film production costs and advertising expenditure	–	1,690

51. SHARE OPTIONS SCHEMES

(a) Share Option Scheme of the Company

On 7 June 2002, the share option scheme (the "Old Scheme") of the Company adopted on 8 September 1993 ceased to operate and a new share option scheme (the "New Scheme") has been adopted to comply with the new requirements of Chapter 17 of the Listing Rules regarding share option schemes of a company. No share options under the Old Scheme were outstanding as at 1 January 2002 and no share option was granted by virtue of the Old Scheme for the period from 1 January 2002 and up to 7 June 2002, being the date of termination of the Old Scheme.

The Company operates the New Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations and/or its associated companies. Eligible participants of the New Scheme included Directors (including executive and non-executive Directors), executives, officers, employees or shareholders of the Company or any of its subsidiaries or any of its associated companies and any suppliers, customers, consultants, advisers, agents, partners or business associates. The New Scheme became effective on 7 June 2002, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

Notes to the Consolidated Financial Statements

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51. SHARE OPTIONS SCHEMES (continued)

(a) Share Option Scheme of the Company (continued)

The maximum number of unexercised share options currently permitted to be granted under the New Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at the date of the passing of such resolution. At 8 June 2004, the total number of shares available for issue under the New Scheme was 93,931,666, which represented approximately 10% of the Company's shares in issue as at that date. The maximum number of shares issuable under share options to each eligible participant in the New Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a Director, executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the Independent Non-executive Directors. In addition, any share options granted to a substantial shareholder or an Independent Non-executive Director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 60 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. An option may be exercised under the New Scheme at any time within 10 years from the date of the options granted.

The exercise price of the share options is determinable by the Directors, but may not be less than the higher of (i) the Stock Exchange's closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange's closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's ordinary shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meeting.

51. SHARE OPTIONS SCHEMES (continued)

(a) Share Option Scheme of the Company (continued)

The following table discloses the details of the share options and movements in such holdings during the years ended 31 December 2006 and 2005:

Grantees	Date of grant	Exercisable period	Exercise price per share HK$	At 1.1.2006	Transfer during the year	Granted during the year	Exercised during the year	Cancelled during the year	At 31.12.2006
				Number of share options					
Directors	23.8.2002	23.8.2002 – 6.6.2012	0.73	75	–	–	–	–	75
	6.3.2003	6.3.2003 – 5.3.2013	0.76	604	–	–	–	–	604
Employees	6.3.2003	6.3.2003 – 5.3.2013	0.76	1,330,000	–	–	–	–	1,330,000
				1,330,679	–	–	–	–	1,330,679
Exercisable									1,330,679

Grantees	Date of grant	Exercisable period	Exercise price per share HK$	At 1.1.2005	Transfer during the year *(Note (b))*	Granted during the year	Exercised during the year	Cancelled during the year	At 31.12.2005
				Number of share options					
Directors	23.8.2002	23.8.2002 – 6.6.2012	0.73	75	–	–	–	–	75
	6.3.2003	6.3.2003 – 5.3.2013	0.76	604	–	–	–	–	604
	8.6.2004 *(Note (a))*	8.6.2004 – 7.6.2014	0.82	71,202,000	–	–	–	(71,202,000)	–
Employees	6.3.2003	6.3.2003 – 5.3.2013	0.76	1,330,000	–	–	–	–	1,330,000
	8.6.2004 *(Note (a))*	8.6.2004 – 7.6.2014	0.82	14,584,000	(14,584,000)	–	–	–	–
Others	8.6.2004 *(Note (a))*	8.6.2004 – 7.6.2014	0.82	–	14,584,000	–	–	(14,584,000)	–
				87,116,679	–	–	–	(85,786,000)	1,330,679
Exercisable									1,330,679

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51. SHARE OPTIONS SCHEMES (continued)

(a) Share Option Scheme of the Company (continued)

Notes:

(a) The options granted in 2004 may be exercised in accordance with the terms of the relevant scheme as to:

(i) The first tranche of 34,314,400 options will be exercisable after the expiry of 12 months from the date of grant;

(ii) The second tranche of 25,735,800 options will be exercisable after the expiry of 24 months from the date of grant;

(iii) The third tranche of 25,735,800 options will be exercisable after the expiry of 36 months from the date of grant; and

(iv) The options will expire after ten years from date of grant i.e. 7 June 2014.

(b) Transfer of share options upon the termination of services of certain employees during the year.

No consideration received from employees for taking up the options granted for both years.

Pursuant to a resolution passed by the Executive Committee of the Board of Directors held on 30 December 2005, share options granted on 8 June 2004 to subscribe for an aggregate of 85,786,000 shares of the Company at an exercise price of HK$0.82 per share under the New Scheme were cancelled and accordingly, the Group immediately recognised expenses of approximately HK$13,013,000 to the consolidated income statement for the year ended 31 December 2005.

The Group recognised the total expenses of Nil for the year ended 31 December 2006 (2005: HK$25,456,000 included approximately HK$13,103,000 recognised upon cancellation of the share options on 30 December 2005) in relation to share options of the Company.

51. SHARE OPTIONS SCHEMES (continued)

(b) Share option schemes of GDC (the " GDC Scheme") and GDC Technology Limited ("GDC Technology") (the " GDC Technology Scheme")

The GDC Scheme was adopted pursuant to a resolution passed at its Special General Meeting held on 18 July 2003 for the primary purpose of providing incentives or rewards to selected participants for their contribution to the GDC. The GDC Scheme will expire on 17 July 2013.

Under the terms of the GDC Scheme, the Board of Directors of GDC (the "GDC Board") may grant options to all full-time employees, Directors (including independent non-executive Directors) and part-time employees with weekly working hours of 10 hours and above, of GDC and any advisor (professional or otherwise) or consultant, distributors, suppliers, agents, customers, joint venture partners, service provider to GDC who the Board considers, in its sole discretion, have contributed or contribution to GDC.

The maximum number of shares which may be issued upon exercise of all options to be granted and yet to be exercised under the GDC Scheme is not permitted to exceed 10% of the shares of GDC in issue which can be refreshed according to the GDC Scheme. The number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised at any time under the GDC Scheme and any other share option schemes of GDC shall not exceed 30% of the issued share capital of GDC from time to time.

The number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of GDC in issue at any point in time, without prior approval from GDC's shareholders in accordance with the GDC Scheme. Where any grant of options to a substantial shareholder or an independent non-executive Director or any of their respective associates would result in the shares of GDC being issued or to be issued upon exercise of all options to such person in the 12-month period up to and including the date of grant in excess of 0.1% of the shares of GDC in issue and with a value (based on the closing price of the shares of GDC at the offer date of each offer) in excess of HK$5,000,000, such grant of options must be approved in advance by GDC's shareholders in accordance with the GDC Scheme.

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51. SHARE OPTIONS SCHEMES (continued)

(b) Share option schemes of GDC (the " GDC Scheme") and GDC Technology Limited ("GDC Technology") (the " GDC Technology Scheme") (continued)

An option may be exercised at any time during the period to be determined and notified by the Directors to the grantee and in the absence of such determination, from the date of acceptance of an offer of the grant of such option to the earlier of the date on which such option lapses according to the GDC Scheme and ten years from the date of offer of that opinion. A consideration of HK$1 is payable upon acceptance the offer.

The exercise price is determined by the Directors of GDC, and will not be less than the higher of the nominal value of the share; the closing price of GDC's shares on the date of offer; and the average closing price of the shares for the five business days immediately preceding the date of offer.

During the year ended 31 December 2006, 69,848,380 options and 26,656,665 options have been granted under the GDC Scheme and GDC Technology Share Option Scheme to the Directors of GDC, employees of GDC and its subsidiaries and others, respectively. All share options of the GDC Scheme and the GDC Technology Scheme are vested at the date of grant.

The following table sets out the movements in the GDC's share options during the year:

			Number of share options					
Category or name of grantees	Date of grant	Exercise price	Balance as at 1.1.2006	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Exercisable period	Balance as at 31.12.2006
Directors of GDC *(Note (i))*	6.10.2006	HK$0.3	–	42,443,460	–	–	6.10.2006 – 5.10.2009	42,443,460
Employees of GDC and its subsidiaries	6.10.2006	HK$0.3	–	18,100,000	–	–	6.10.2006 – 5.10.2009	18,100,000
Others	6.10.2006	HK$0.3	–	9,304,920	–	–	6.10.2006 – 5.10.2009	9,304,920
Totals			–	69,848,380	–	–		69,848,380

51. SHARE OPTIONS SCHEMES (continued)

(b) Share option schemes of GDC (the " GDC Scheme") and GDC Technology Limited ("GDC Technology") (the " GDC Technology Scheme") (continued)

The following table sets out the movements in the share options of GDC Technology during the year:

			Number of share options					
Category or name of grantees	Date of grant	Exercise price	Balance as at 1.1.2006	Granted during the year	Exercised during the year	Lapsed during the year	Exercisable period	Balance as at 31.12.2006
Directors of GDC *(Note (ii))*	29.9.2006	HK$0.145	–	12,693,334	(2,130,000)	–	29.9.2006 – 28.9.2009	10,563,334
Employees of GDC and its subsidiaries	29.9.2006	HK$0.145	–	7,466,666	–	–	29.9.2006 – 28.9.2009	7,466,666
	5.10.2006	HK$0.145	–	5,323,332	–	(130,000)	5.10.2006 – 4.10.2009	5,193,332
Others	29.9.2006	HK$0.145	–	1,173,333	–	–	29.9.2006 – 28.9.2009	1,173,333
Totals			–	26,656,665	(2,130,000)	(130,000)		24,396,665

Notes:

(i) Included in total number of GDC's share options of 42,443,460 granted on 6 October 2006 to the Directors of GDC were share options of 8,008,200, 8,008,200, 8,008,200 and 800,820, respectively granted to four Directors of the Company.

(ii) Included in total number of GDC Technology's share options of 12,693,334 granted on 29 September 2006 to the Directors of GDC were share options of 4,266,667, 4,266,667 and 2,133,333, respectively, granted to three Directors of the Company.

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51. SHARE OPTIONS SCHEMES (continued)

(b) Share option schemes of GDC (the " GDC Scheme") and GDC Technology Limited ("GDC Technology") (the " GDC Technology Scheme") (continued)

The fair value per option of HK$0.013 and HK$0.08 for options granted on 29 September 2006 and 5 October 2006 under the GDC Technology, and on 6 October 2006 under the GDC Scheme were calculated using the Binomial Option Valuation pricing model. The inputs into the model were as follows:

	The GDC Technology Scheme	The GDC Scheme
	Share option grant date	
	29 September 2006 and 5 October 2006	6 October 2006
Weighted average share price	HK$0.10	HK$0.28
Exercise price	HK$0.145	HK$0.30
Expected volatility	32%	87%
Expected life	3 years	3 years
Risk-free rate	3.77%	3.75%
Expected dividend yield	Nil	Nil

Expected volatility of GDC and GDC Technology were determined by using the historical volatility of GDC's share price and the share price of other companies in the similar industry, respectively. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expense of approximately HK$5,937,000 for the year ended 31 December 2006 (2005: Nil) in relation to share options granted by GDC and GDC Technology.

The Binomial Option Valuation pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

52. RETIREMENT BENEFIT SCHEMES

The Group contributes to defined contribution retirement schemes which are available to all employees in Hong Kong and Singapore. The assets of the schemes are held separately from those of the Group in independently administered funds.

Pursuant to the relevant regulations of the government in the PRC, the subsidiaries in the PRC participate in the municipal government contribution scheme whereby the subsidiaries are required to contribute to the scheme for the retirement benefit of eligible employees. The municipal government of the PRC is responsible for the entire benefit obligations payable to the retired employees. The only obligation of the Group with respect to the scheme is to pay the ongoing contributions required by the scheme.

The retirement benefit costs represent gross contributions paid and payable by the Group to the schemes operated in Hong Kong, the PRC and Singapore (collectively the "Retirement Schemes"). Contributions totalling approximately HK$133,000 (2005: HK$91,000) payable to the Retirement Schemes at 31 December 2006 are included in other payables and accruals. There was no forfeited contribution throughout the year (2005: Nil).

53. POST BALANCE SHEET EVENTS

(a) On 1 December 2006, GDC Technology, a non wholly-owned subsidiary of the Company, has entered into a conditional agreement with a subscriber (the "GDC Tech Subscriber"), which is a company incorporated in the BVI and beneficially wholly-owned by a substantial shareholder of the Company, where the GDC Tech Subscriber will subscribe 52,383,580 shares of GDC Technology, representing approximately 48.14% of the then issued share capital of GDC Technology, at a consideration of US$6.5 million (equivalent to approximately HK$50,570,000) (the "GDC Tech Subscription").

Upon completion of the GDC Tech Subscription and the subscription of shares of GDC as mentioned in Note 53(b), the Company's effective shareholding interest in GDC Technology will be diluted from approximately 62.49% to 40.17% and it will continue to be a subsidiary of the Company as GDC holds approximately 83.34% of the then issued capital of GDC Technology as at 31 December 2006 and approximately 56.25% of the issued capital of GDC Technology upon the completion of the GDC Tech Subscription.

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53. POST BALANCE SHEET EVENTS (continued)

(b) On 1 December 2006, GDC has also entered into a conditional agreement with a subscriber other than the GDC Tech Subscriber (the "GDC Subscriber"), which is a company incorporated in the BVI and beneficially wholly-owned by a substantial shareholder of the Company, where the GDC Subscriber will subscribe 40,000,000 shares of GDC (the "GDC Share"), representing approximately 4.99% of the then issued share capital of GDC, at a subscription price of HK$0.2436 per GDC Share (the "GDC Subscription"). The total consideration of the subscription of GDC Shares by the GDC Subscriber is approximately HK$9,744,000.

Upon completion of the GDC Subscription, the Company's shareholding interest in GDC would be diluted from approximately 74.98% (based on the then issued capital of GDC as at 31 December 2006) to 71.41% (based on the issued capital of GDC upon the completion of the GDC subscription), and GDC will continue to be a subsidiary of the Company.

(c) On 16 March 2007, Upper Nice Assets Limited ("Upper Nice"), a wholly-owned subsidiary of the Company, and GDC entered into a placing and subscription agreement with a placing agent, pursuant to which the placing agent has agreed to, on a fully underwritten basis, procure purchasers to acquire, and Upper Nice has agreed to sell, 120,000,000 existing shares of GDC at the placing price of HK$0.54 per share ("Top-up Placing") and Upper Nice has also agreed to subscribe 120,000,000 new shares of GDC at HK$0.54 per share ("Top-up Subscription"). The Top-up Placing and Top-up Subscription were completed in March 2007 and the Company's shareholding interest in GDC was further diluted to approximately 62.49%.

On the same date, Upper Nice and GDC entered into a subscription agreement, pursuant to which Upper Nice has conditionally agreed to subscribe 100,000,000 new shares of GDC at HK$0.54 per share ("Subscription"), but subject to the approval by independent shareholders of GDC at the special general meeting to be held on 23 April 2007. Upon completion of the Subscription, the Company's shareholding would be increased from approximately 62.49% to approximately 66.02%.

Details of Top-up Placing, Top-up Subscription and Subscription are set out in the Company's announcement dated 16 March 2007.

53. POST BALANCE SHEET EVENTS (continued)

(d) On 30 March 2007, Upper Nice entered into another placing agreement with a placing agent, pursuant to which the placing agent has agreed to, on a fully underwritten basis, procure purchasers to acquire, and Upper Nice has agreed to sell, 30,000,000 existing shares of GDC at the placing price of HK$1.20 per share. This placing was completed on 4 April 2007 and the Company's shareholding interest in GDC was further diluted to approximately 58.75%.

54. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parties:

	2006 HK$'000	2005 HK$'000
(a) Rental expenses charged by Winluck Properties Limited, a subsidiary of Shougang Holding	**1,385**	1,154
(b) Rental income received from Gold Regal Limited, a subsidiary of Shougang Holding	**130**	108
(c) Consultancy expense charged by Shougang Holding	**960**	960
(d) Management fee charged by Shougang Concord International Enterprises Company Limited, an associate of Shougang Holding	**870**	300
(e) Interest expense charged by Shougang Finance, a fellow subsidiary of the Company	**2,047**	247
(f) Interest expense charged by Bright Oceans Corporation (HK) Limited, a shareholder of the Company	**–**	261
(g) Interest expense charged by Mr. Anthony Francis Neoh, a shareholder of the Company	**2,413**	1,592
(h) Interest expense charged by Madam Chan Wing Yee, Betty, spouse of Mr. Anthony Francis Neoh	**102**	69
(i) Interest expense paid to South China Leasing in respect of finance lease obligations	**107**	–

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54. RELATED PARTY TRANSACTIONS (continued)

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government ("state-controlled entities"). In addition, the Group itself is a part of a larger group of companies under Shougang Corporation which is controlled by the PRC government. The Directors are of the opinion that transactions with other state-controlled entities are not significant to the Group's operations.

The Group has entered into various transactions, including deposits placements, borrowings and other general banking facilities, with certain banks and financial institutions which are state-controlled entities in its ordinary course of business. In view of the nature of those banking transactions, the Directors are of the opinion that separate disclosure would not be meaningful. The Directors are of the opinion that transactions with other state-controlled entities are not significant to the Group's operations.

Details of balances with related parties as at the balance sheet date are set out in the consolidated balance sheet and in Notes 38, 39 and 40.

55. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of principal subsidiaries at 31 December 2006 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital/ contributed capital *(Note (a))*	Proportion of nominal value of issued share capital held by the Company	Principal activities
Direct subsidiary				
SCG Investment (BVI) Limited	BVI	HK$100,000	100%	Investment holding
Indirect subsidiaries				
首方投資管理(深圳)有限公司 (「首方投資」)	The PRC *(Note (b))*	RMB75,500,000	100%	Investment holding
Concord Grand TV & Movie Investment Limited	BVI	US$1	100%	Investment holding

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55. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital/ contributed capital *(Note (a))*	Proportion of nominal value of issued share capital held by the Company	Principal activities
Indirect subsidiaries (continued)				
Dunley Developments Limited	BVI	US$1	100%	Investment holding
Durali Developments Limited	BVI	US$1	100%	Investment holding
Ecko Limited	Hong Kong	HK$2	100%	Property management
Eldex Investment Company Limited	Hong Kong	HK$541,000 (ordinary) HK$1,459,000 (non-voting deferred)	100%	Property investment
GDC Asset Management Limited	BVI	US$1	75%	Investment holding in Hong Kong
GDC (BVI) Limited	BVI	US$5,214,181	75%	Investment holding in Hong Kong
GDC Management Service Limited (formerly known as GDC Capital Limited)	Hong Kong	HK$2	75%	Provision of administrative and management services in Hong Kong
GDC China Limited	Hong Kong	HK$2	75%	Investment holding
GDC Entertainment	BVI	US$3,510	75%	Animation investment, licensing and merchandising distribution in a worldwide basis

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55. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital/ contributed capital *(Note (a))*	Proportion of nominal value of issued share capital held by the Company	Principal activities
Indirect subsidiaries (continued)				
GDC Holdings Limited	BVI	US$5,214,181	75%	Investment holding
GDC International Limited	Samoa	US$1	75%	Provision of CG animation creation and production services
GDC Technology	BVI	HK$10,879,667	62%	Provision of computing solutions for digital content distribution and exhibitions in a worldwide basis
GDC Technology Pte. Ltd.	Singapore	S$900,000	62%	Provision of computing solutions for digital content distribution and exhibitions in a worldwide basis
GDC *(Note (c))*	Bermuda	HK$8,008,200	75%	Investment holding
Grand Award Limited	BVI	US$1	100%	Investment holding
Grand Park Investment Limited	Hong Kong	HK$2	100%	Property investment
Grand Phoenix Limited	BVI	US$1	100%	Investment holding

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55. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital/ contributed capital *(Note (a))*	Proportion of nominal value of issued share capital held by the Company	Principal activities
Indirect subsidiaries (continued)				
環球數碼媒體科技(上海)有限公司	The PRC *(Note (b))*	US$140,000	75%	Provision of computer graphics and animation training
IDMT Shenzhen	The PRC *(Note (b))*	US$7,085,900	75%	Provision of computer graphics and animation training, development of multimedia software and hardware, and provision of related technical consultancy services
Linksky Limited	Hong Kong	HK$2	100%	Property holding
Long Cosmos Investment Limited	Hong Kong	HK$2	100%	Provision of management services
Lyre Terrace Management Limited	Hong Kong	HK$1,000,000	100%	Investment holding and property investment
On Hing Investment Company, Limited	Hong Kong	HK$1,000 (ordinary) HK$2,000,000 (non-voting deferred)	100%	Property investment
SCG Finance Corporation Limited	Hong Kong	HK$20	100%	Provision of financial services
SCG Financial Investment Limited	BVI	US$1,000	100%	Investment holding

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55. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital/ contributed capital *(Note (a))*	Proportion of nominal value of issued share capital held by the Company	Principal activities
Indirect subsidiaries (continued)				
SCG Leasing Corporation Limited	Hong Kong	HK$2	100%	Property investment
Strenbeech Limited	BVI	HK$147,000,078	100%	Property investment
Tin Fung Investment Company, Limited	Hong Kong	HK$975,000 (ordinary) HK$210,000 (non-voting deferred)	100%	Property investment
Upper Nice	BVI	US$1	100%	Investment holding
Valuework	BVI	US$1	100%	Investment holding
四方源創國際影視文化傳播(北京)有限公司	The PRC *(Note (d))*	RMB20,000,000	80%	Production of films and television drama series
廣東四方源創動畫制作有限公司	The PRC *(Note (d))*	RMB10,000,000	64%	Provision of graphic animation creation
東陽市四方源創影視制作有限公司	The PRC *(Note (d))*	RMB1,000,000	80%	Production of film and television drama series
杭州四方源創動畫制作有限公司	The PRC *(Note (d))*	RMB3,000,000	64%	Provision of graphic animation creation

55. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital/ contributed capital *(Note (a))*	Proportion of nominal value of issued share capital held by the Company	Principal activities
Indirect subsidiaries (continued)				
深圳市環球數碼科技有限公司	The PRC *(Note (d))*	RMB1,770,000	75%	Provision of digital cinema equipment's technology development sales and related services
深圳市環球數碼影視文化有限公司	The PRC *(Note (d))*	RMB2,480,000	75%	Provision of films and animation's technology development and production of film cultural activities

Notes:

(a) All issued share capital are ordinary shares unless otherwise stated.

(b) These entities are wholly foreign owned enterprises.

(c) This entity is listed on the GEM.

(d) These entities are sino-foreign equity joint venture/enterprises.

The above table lists the subsidiaries of the Group which, in the opinion of the Directors, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of Directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

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56. SUMMARISED BALANCE SHEET OF THE COMPANY

	2006	2005
	HK$'000	HK$'000
Interests in subsidiaries	**231,154**	231,154
Other current assets	**173**	78
Amounts due to subsidiaries	**(12,122)**	(15,548)
Other current liabilities	**(47,244)**	(50,448)
Other non-current liabilities	**(40,000)**	(33,570)
	131,961	131,666
Share capital	**11,369**	11,369
Reserves	**120,592**	120,297
	131,961	131,666