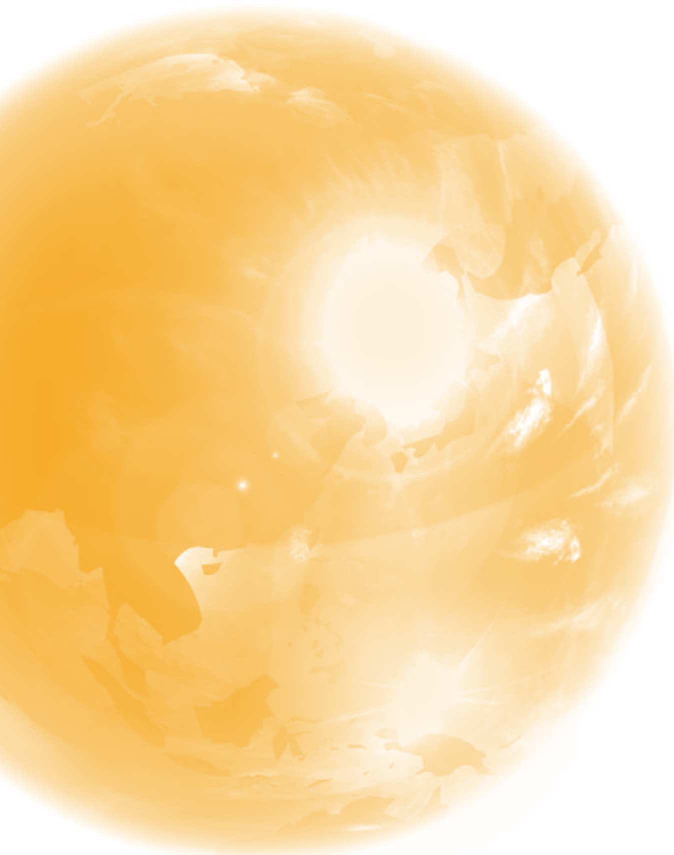
Annual Report 2009

SHOUGANG CONCORD GRAND (GROUP) LIMITED

Stock Code : 730

CONTENTS



CORPORATE INFORMATION

BOARD OF DIRECTORS
Wang Qinghai *(Chairman)*
Cao Zhong *(Vice Chairman and Managing Director)*
Chen Zheng *(Managing Director of Operations)*
Wang Tian *(Deputy Managing Director)*
Yuan Wenxin *(Deputy Managing Director)*
Leung Shun Sang, Tony *(Non-executive Director)*
Tam King Ching, Kenny
(Independent Non-executive Director)
Zhou Jianhong
(Independent Non-executive Director)
Yip Kin Man, Raymond
(Independent Non-executive Director)

EXECUTIVE COMMITTEE
Cao Zhong *(Chairman)*
Chen Zheng
Wang Tian
Yuan Wenxin

AUDIT COMMITTEE
Tam King Ching, Kenny *(Chairman)*
Zhou Jianhong
Yip Kin Man, Raymond

NOMINATION COMMITTEE
Cao Zhong *(Chairman)*
Leung Shun Sang, Tony *(Vice Chairman)*
Tam King Ching, Kenny
Zhou Jianhong
Yip Kin Man, Raymond

REMUNERATION COMMITTEE
Leung Shun Sang, Tony *(Chairman)*
Cao Zhong *(Vice Chairman)*
Tam King Ching, Kenny
Zhou Jianhong
Yip Kin Man, Raymond

COMPANY SECRETARY
Cheng Man Ching

AUDITOR
Deloitte Touche Tohmatsu

PRINCIPAL REGISTRARS
The Bank of Bermuda Limited
Bank of Bermuda Building
6 Front Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE
Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

PRINCIPAL OFFICE IN HONG KONG
Rooms 1101-04, 11th Floor
Harcourt House
39 Gloucester Road
Wanchai
Hong Kong

STOCK CODE
730

WEBSITE
www.shougang-grand.com.hk

Mr. Wang Qinghai, aged 51, senior engineer. Mr. Wang was appointed the Chairman of the Company in April 2001. He is also the chairman of Shougang Holding (Hong Kong) Limited ("Shougang Holding"), a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), Shougang Concord International Enterprises Company Limited ("Shougang International") and Fushan International Energy Group Limited ("Fushan Energy"). Mr. Wang is the general manager of Shougang Corporation, the ultimate holding company of Shougang Holding, and has extensive experience in management and operation.

An engagement letter has been entered into with Mr. Wang for a term of three years commencing on 1 January 2008. Under the engagement letter, Mr. Wang is entitled to a director's fee as may be determined by the board of directors of the Company (the "Board") from time to time pursuant to the authority given by the shareholders of the Company (the "Shareholders"). For the financial year ended 31 December 2009, the director's fee of Mr. Wang is HK$150,000. For the financial year ending 31 December 2010, the director's fee of Mr. Wang will be HK$150,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Wang. Such director's fees were determined with reference to Mr. Wang's experience and duties as well as the then prevailing market conditions.

Mr. Cao Zhong, aged 50, graduated from Zhejiang University, the People's Republic of China and Graduate School, The Chinese Academy of Social Sciences with a bachelor degree in engineering and a master degree in economics. Mr. Cao was appointed the Vice Chairman of the Company in November 2001 and has acted concurrently as the Managing Director of the Company since February 2006 and is the chairman of each of the Executive Committee and the Nomination Committee and the vice chairman of the Remuneration Committee of the Company. He was appointed the joint chairman of Global Digital Creations Holdings Limited ("GDC"), a subsidiary of the Company, in February 2005 and is currently the chairman of GDC. Mr. Cao is the deputy chairman and general manager of Shougang Holding and a director of Wheeling Holdings Limited ("Wheeling"), each of Shougang Holding and Wheeling is a substantial shareholder of the Company within the meaning of Part XV of the SFO. He is the managing director of Shougang International, the chairman of each of Shougang Concord Technology Holdings Limited ("Shougang Technology") and Shougang Concord Century Holdings Limited ("Shougang Century"), and the vice chairman and managing director of Fushan Energy. Mr. Cao is also a director of Mount Gibson Iron Limited, a company listed on the Australian Securities Exchange. He also acts as the assistant general manager of Shougang Corporation and the chairman of China Shougang International Trade and Engineering Corporation. Mr. Cao was an executive director of APAC Resources Limited ("APAC") from April 2007 to October 2009 and was concurrently the chairman of APAC since May 2007. He has extensive experience in corporate management and operation.

Service contracts have been entered into between Mr. Cao and each of two subsidiaries of the Company both for a term of three years commencing on 1 January 2008 for his services to the Company and GDC respectively. Under the service contracts, Mr. Cao is entitled to monthly salaries of HK$300,000 in aggregate and discretionary bonus as may be determined by the board of each of the Company and GDC from time to time. For the financial year ended 31 December 2009, Mr. Cao voluntarily waived his salary for the full year of HK$1,800,000 in aggregate in relation to his service to GDC. For the financial year ended 31 December 2009, the discretionary bonuses for Mr. Cao are HK$2,100,000 in aggregate. Such salaries and bonuses were determined with reference to the then prevailing market conditions, the performance of each of the Company and GDC as well as Mr. Cao's individual performance.

Mr. Chen Zheng, aged 50, engineer and senior economist. He holds a bachelor degree in chemical engineering and a master degree in business administration. Mr. Chen was appointed an Executive Director of the Company in January 2004 and is currently the Managing Director of Operations of the Company and a member of the Executive Committee of the Company. He was also appointed an executive director of GDC in February 2005 and is currently the managing director of GDC. Mr. Chen has extensive experience in investing business and corporate management.

Service contracts have been entered into between Mr. Chen and each of two subsidiaries of the Company both for a term of three years commencing on 1 January 2008 for his services to the Company and GDC respectively. Under the service contracts, Mr. Chen is entitled to monthly salaries of HK$250,000 in aggregate and discretionary bonus as may be determined by the board of each of the Company and GDC from time to time. For the financial year ended 31 December 2009, the discretionary bonuses for Mr. Chen are HK$1,540,000 in aggregate. Such salaries and bonuses were determined with reference to the then prevailing market conditions, the performance of each of the Company and GDC as well as Mr. Chen's individual performance.

Mr. Wang Tian, aged 54, senior economist. He holds a PhD degree in economics. Mr. Wang was appointed an Executive Director of the Company in March 2004 and is currently the Deputy Managing Director of the Company and a member of the Executive Committee of the Company. He has extensive experience in the field of financial management. Mr. Wang had been awarded certificate and special allowance from the Government of the People's Republic of China as a commendation for his outstanding contribution in developing the financial business in Mainland China.

A service contract has been entered into between Mr. Wang and a wholly-owned subsidiary of the Company for a term of three years commencing on 1 January 2008. Under the service contract, Mr. Wang is entitled to a monthly salary of HK$120,000 and discretionary bonus as may be determined by the Board from time to time. For the financial year ended 31 December 2009, the discretionary bonus for Mr. Wang is HK$240,000. Such salary and bonus were determined with reference to the then prevailing market conditions, the performance of the Company as well as Mr. Wang's individual performance.

Mr. Yuan Wenxin, aged 40, holds a bachelor degree in law and a post-graduate diploma in finance from Hunan University Law School and an EMBA degree from China Europe International Business School (CEIBS). Mr. Yuan was appointed an Executive Director of the Company in August 2005 and is currently the Deputy Managing Director of the Company and a member of the Executive Committee of the Company. He was an assistant general manager of Shougang Holding and a director of Shougang Technology. Mr. Yuan has extensive experience in financial investment and corporate restructuring.

A service contract has been entered into between Mr. Yuan and a wholly-owned subsidiary of the Company for a term of three years commencing on 1 January 2008. Under the service contract, Mr. Yuan is entitled to a monthly salary of HK$120,000 and discretionary bonus as may be determined by the Board from time to time. For the financial year ended 31 December 2009, the discretionary bonus for Mr. Yuan is HK$240,000. Such salary and bonus were determined with reference to the then prevailing market conditions, the performance of the Company as well as Mr. Yuan's individual performance.

Mr. Leung Shun Sang, **Tony**, aged 67, holds a master degree in business administration from New York State University and has over 30 years of experience in finance, investment and corporate management. Mr. Leung was appointed a Non-executive Director of the Company in July 1995 and a non-executive director of GDC in December 2005 and is the chairman of the Remuneration Committee and the vice chairman of the Nomination Committee of the Company. He is a director of each of Shougang International, Shougang Technology, Shougang Century and Fushan Energy. Mr. Leung is the managing director of CEF Group.

Engagement letters have been entered into with Mr. Leung for a term of three years commencing on 1 January 2008 for his offices as a Non-executive Director of each of the Company and GDC respectively. Under the engagement letters, Mr. Leung is entitled to director's fees as may be determined by the board of each of the Company and GDC from time to time pursuant to the authorities given by the shareholders of the Company and GDC respectively. For the financial year ended 31 December 2009, the director's fee of Mr. Leung is HK$380,000 in aggregate. For the financial year ending 31 December 2010, the director's fee of Mr. Leung will be HK$380,000 in aggregate for a full year which will be paid in proportion to the actual length of services provided by Mr. Leung. Such director's fees were determined with reference to Mr. Leung's experience and duties as well as the then prevailing market conditions.

Mr. Tam King Ching, Kenny, aged 61. Mr. Tam was appointed an Independent Non-executive Director of the Company in February 1996 and is the chairman of the Audit Committee and a member of each of the Nomination Committee and the Remuneration Committee of the Company. He is a practising Certified Public Accountant in Hong Kong. Mr. Tam is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants of Ontario, Canada. He is serving as a member of each of the Ethics Committee and the Practice Review Committee in the Hong Kong Institute of Certified Public Accountants. Mr. Tam is a Past President of The Society of Chinese Accountants and Auditors. He also serves as an independent non-executive director of four other listed companies on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), namely, CCT Telecom Holdings Limited, Kingmaker Footwear Holdings Limited, Starlite Holdings Limited and Van Shung Chong Holdings Limited, and a listed company on the Growth Enterprise Market of the Stock Exchange, namely, North Asia Strategic Holdings Limited. Mr. Tam was an independent non-executive director of Yun Sky Chemical (International) Holdings Limited (now known as King Stone Energy Group Limited), a Hong Kong listed company, during the period from August 2005 to September 2008.

An engagement letter has been entered into with Mr. Tam for a term of three years commencing on 1 January 2008. Under the engagement letter, Mr. Tam is entitled to a director's fee as may be determined by the Board from time to time pursuant to the authority given by the Shareholders. For the financial year ended 31 December 2009, the director's fee of Mr. Tam is HK$240,000. For the financial year ending 31 December 2010, the director's fee of Mr. Tam will be HK$240,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Tam. Such director's fees were determined with reference to Mr. Tam's experience and duties as well as the then prevailing market conditions.

Ms. Zhou Jianhong, aged 44. Ms. Zhou was appointed an Independent Non-executive Director of the Company in September 2004 and is a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company. She is a practising solicitor in Hong Kong. Ms. Zhou graduated from Peking University with a master degree in economic law.

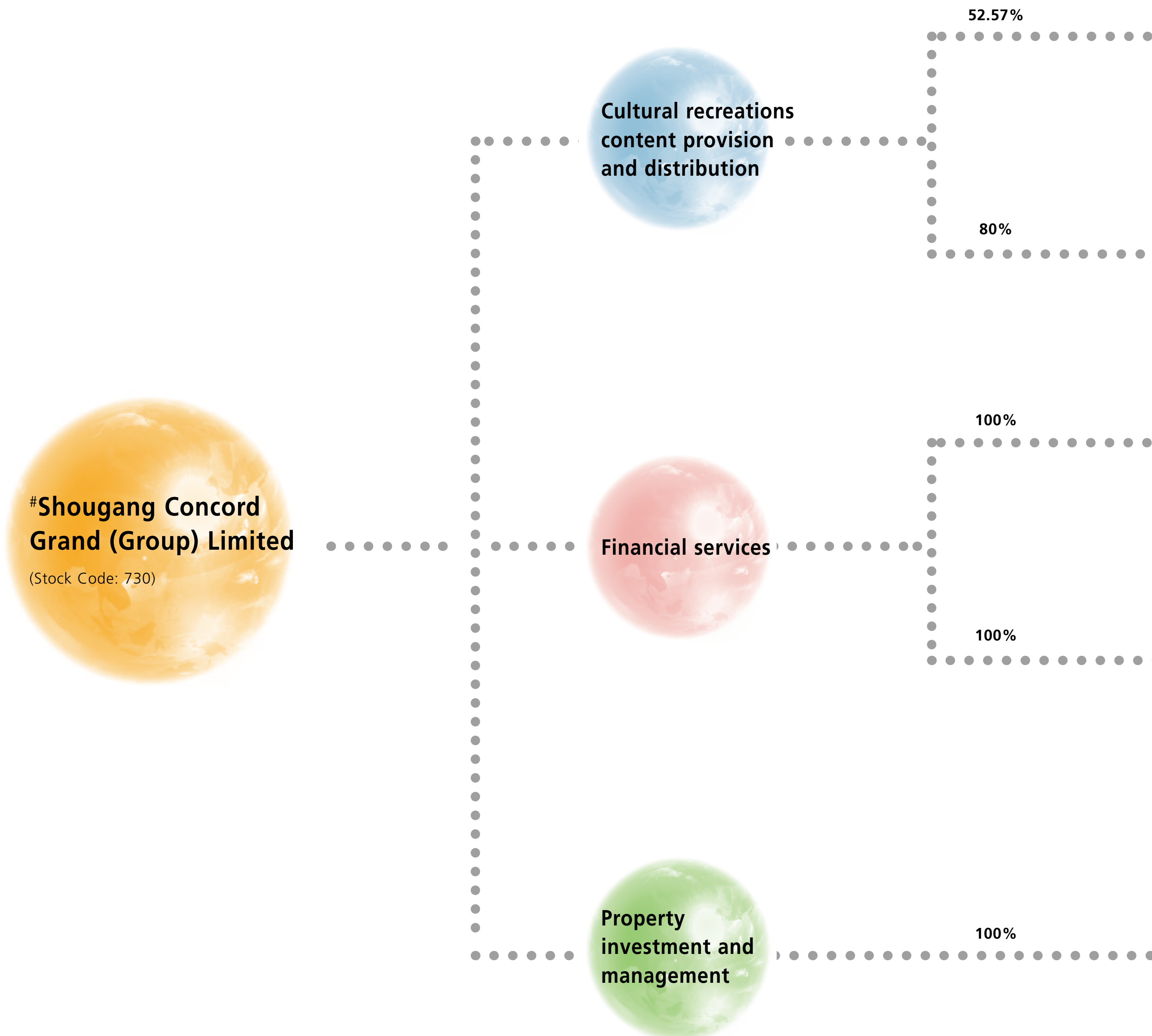
An engagement letter has been entered into with Ms. Zhou for a term of three years commencing on 1 January 2008. Under the engagement letter, Ms. Zhou is entitled to a director's fee as may be determined by the Board from time to time pursuant to the authority given by the Shareholders. For the financial year ended 31 December 2009, the director's fee of Ms. Zhou is HK$240,000. For the financial year ending 31 December 2010, the director's fee of Ms. Zhou will be HK$240,000 for a full year which will be paid in proportion to the actual length of services provided by Ms. Zhou. Such director's fees were determined with reference to Ms. Zhou's experience and duties as well as the then prevailing market conditions.

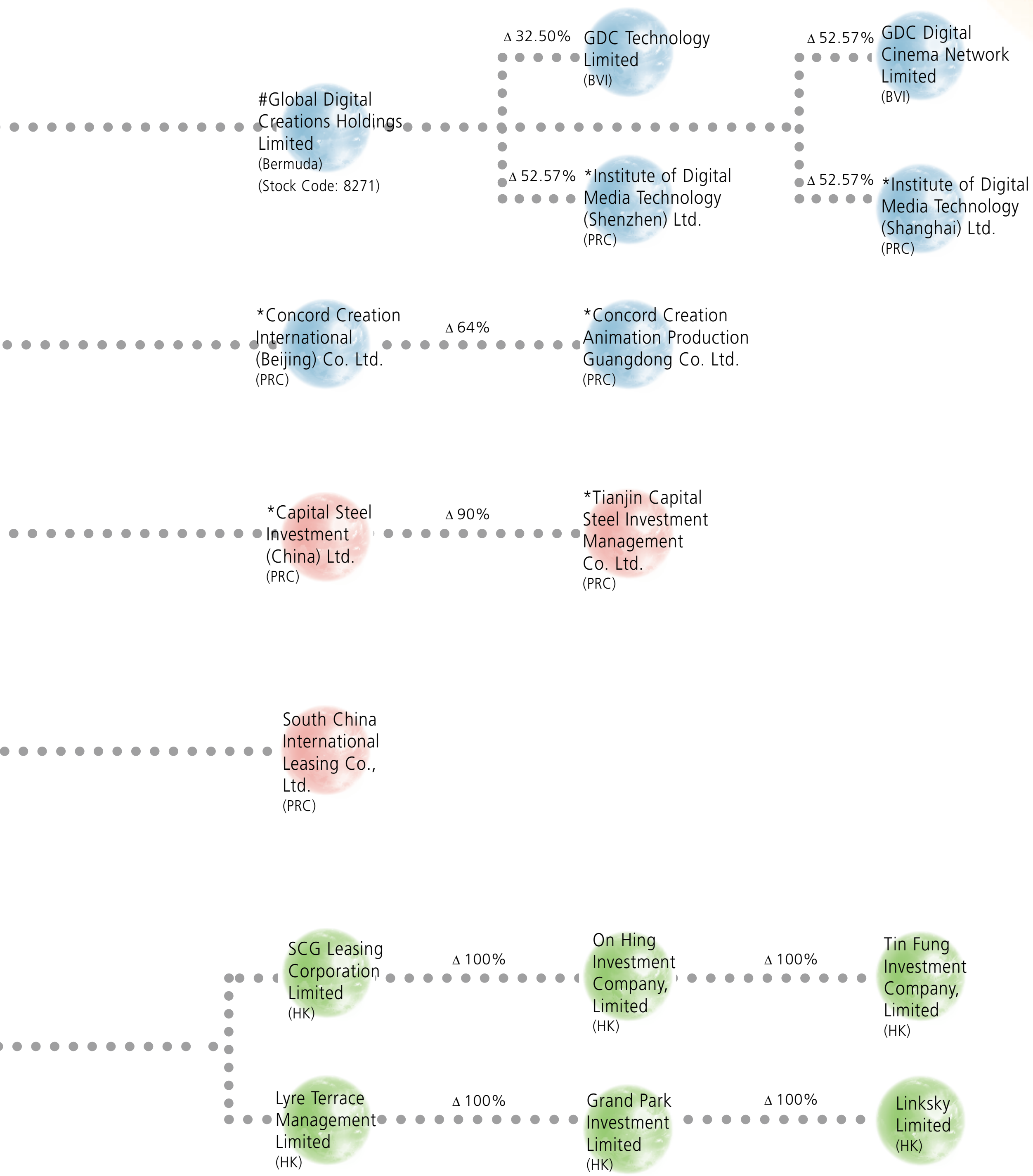
Mr. Yip Kin Man, Raymond, aged 63. Mr. Yip was appointed an Independent Non-executive Director of the Company in January 2007 and is a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company. He is also an independent non-executive director of Shougang Century. Mr. Yip is a practising solicitor, notary public and Attesting Officer appointed by the Ministry of Justice of the PRC.

An engagement letter has been entered into with Mr. Yip for a term of three years commencing on 1 January 2008. Under the engagement letter, Mr. Yip is entitled to a director's fee as may be determined by the Board from time to time pursuant to the authority given by the Shareholders. For the financial year ended 31 December 2009, the director's fee of Mr. Yip is HK$240,000. For the financial year ending 31 December 2010, the director's fee of Mr. Yip will be HK$240,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Yip. Such director's fees were determined with reference to Mr. Yip's experience and duties as well as the then prevailing market conditions.

MAIN OPERATIONAL STRUCTURE

As at 31 December 2009



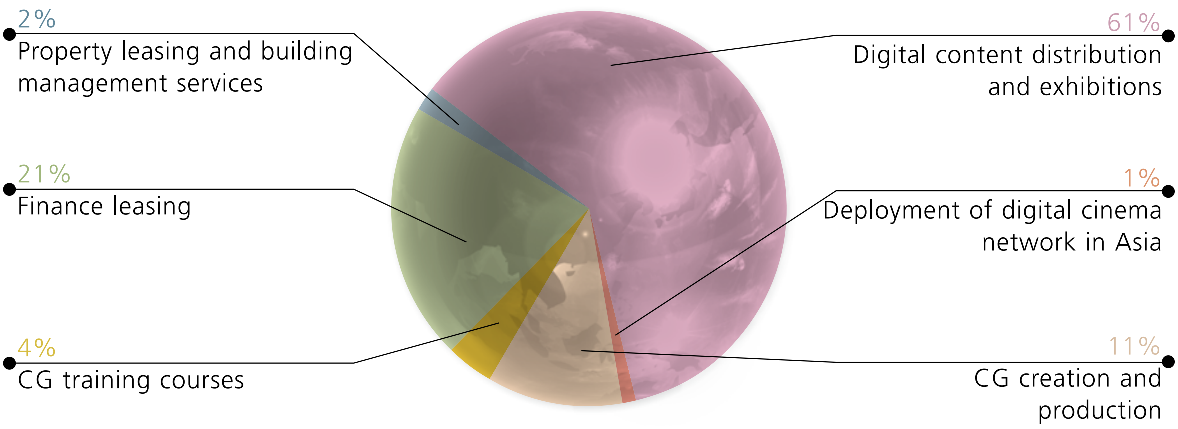


Notes:

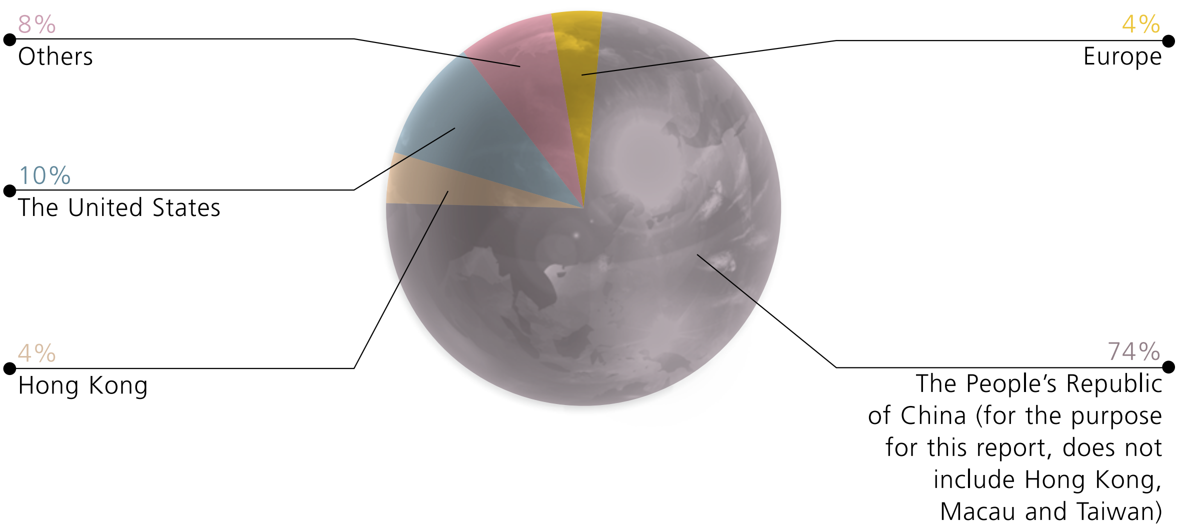
- \# Listed company
- * For identification purpose only
- Δ Attributable interest held by Shougang Concord Grand (Group) Limited

FINANCIAL HIGHLIGHTS

TURNOVER BY PRINCIPAL ACTIVITY FOR THE YEAR 2009



TURNOVER BY GEOGRAPHICAL LOCATION FOR THE YEAR 2009



Year 2009 can be described as a difficult year for global economic development. By the efforts of various economies, we saw rebound of global and the People's Republic of China (the "PRC", for the purpose of this report, does not include Hong Kong, Macau and Taiwan) economies. The PRC economy successfully withstood the assault caused by the international financial crisis, and faster than most of the Western countries to be recovered within a year. 2009 has been equally important for the Group.

Facing global economic instability, the Group actively re-examine its core business strategy, taking the crisis as an opportunity and look for a way out. During the year, the Group has been fine-tuning its operational strategies based on various market conditions faced by its businesses. The management of the Group has demonstrated their professional capabilities and dedications in each of their respective positions, and the synergetic results were apparent.

First, revenue from digital content distribution and exhibitions division reports an approximate four-fold increment when compared with that for the year 2008 to approximately HK$300,000,000. The Group is also actively exploring new markets to expand the customer base. At the same time, continue to develop products that aim at meeting more than the standard Digital Cinema Initiative specifications so as to grasp the business opportunities from worldwide digital cinema conversion.

In addition, computer graphics ("CG") training division also has excellent performance during the year, its revenue and segment results records a growth of approximately 32% and 65% when comparing with that for the year 2008. It provides profit contributions and reserves talent for the Group at the same time.

For CG creation and production division, CG production orders grow steadily during the year. Due to uncertainties sourced from the customers, production schedule and production costs increase accordingly which erodes profit growth but still profitable. With the commencement of Chongqing production centre, it greatly increases the Group's ability to expand the capacity and price adjustment, allowing the Group to cope with business growth, enhance market share and improve profitability efficiency.

As for the finance leasing business, management monitors credit risks cautiously to response volatile market conditions and changes, both revenue and segment results recorded a growth. But for the keen competition in the PRC finance leasing industry, the Group's management will carefully and promptly adjust their implementation strategies.

In addition to the above listed achievements, the Group had adjusted its strategies for financial service provision division and films and television programme production division. On 16 March 2010, the Group announced to dispose financial service provision business and films and television programme production business, through disposal of an investment holding company, as the Group preferred to recoup capital and resources for developing other businesses with higher return.

Escape from the negative impact of the global financial crisis, the PRC economic growth momentum has gradually been restored and will be continuously enhanced, promoting the PRC economic growth. The Central Government has also indicated that the continuity and stability of macro-economic policies would be maintained and the proactive fiscal policy and loose monetary policy would continue to be implemented, it is beneficial for the Group business growth and the Group will actively explore new investment and development opportunities.

On behalf of the Board, I would like to extend our sincere thanks to our customers, suppliers, and shareholders for their continuous support to the Group. I would also extend my gratitude and appreciation to all directors, management and staff for their hard work and dedication throughout this year.

Wang Qinghai
Chairman

15 April 2010

FINANCIAL OVERVIEW

Revenue for the year ended 31 December 2009 was approximately HK$494,541,000, when compared with that of approximately HK$308,181,000 for the year 2008, represented an increase of approximately 60%. The increase was mainly attributable to increase in revenue earned by the digital content distribution and exhibitions division, and the computer graphic ("CG") creation and production division by approximately HK$242,177,000 and HK$11,446,000, respectively, netting off with the reduction in finance lease income earned by the finance leasing division and decrease in distribution income earned by the films and television programme production division by approximately HK$25,538,000 and HK$50,655,000 respectively.

Cost of sales for the year ended 31 December 2009 amounted to approximately HK$358,142,000 when compared with that of approximately HK$262,550,000 for the year 2008, represented an increase of approximately 36%. The increase is mainly due to increase in costs of goods sold and CG production costs in line with increase in the respective revenue.

The Group made a gross profit of approximately HK$136,399,000 for the year ended 31 December 2009, representing a gross profit margin of approximately 28%. Comparing with the gross profit margin of approximately 15% for the year 2008, the improvement is mainly due to decrease in amortisation of intangible asset in the amount of cost of sales by approximately HK$27,858,000.

Other income for the year ended 31 December 2009 amounted to approximately HK$26,967,000 (2008: HK$12,035,000), representing an increase of approximately 124%. The increase is mainly due to an increase in interest income by approximately HK$12,145,000, netting off with a decrease in dividend income by approximately HK$3,027,000. The amount of other income for the year includes a gain of approximately HK$2,543,000 on disposal of intangible asset to China Film Group Corporation ("CFGC") upon termination of the cooperation with CFGC for the deployment of digital cinema network in the PRC and the relevant imputed interest income derived from the deferred consideration of approximately HK$3,127,000.

Administrative expenses for the year ended 31 December 2009 amounted to approximately HK$118,286,000 (2008: HK$128,233,000), representing a decrease of approximately 8%. The decrease is mainly due to the absent of equity-settled share-based payments during the year. Administrative expenses for the year ended 31 December 2008 included the recognition of equity-settled share-based payments of approximately HK$10,869,000 for the share options granted.

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

Overall, the Group recorded profit of approximately HK$38,696,000 for the year ended 31 December 2009 attributable to owners of the Company, when compared with that loss of approximately HK$119,446,000 for the year 2008.

BUSINESS REVIEW AND OUTLOOK

Digital content distribution and exhibitions

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

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

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

BUSINESS REVIEW AND OUTLOOK (continued)

Digital content distribution and exhibitions (continued)

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

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

Deployment of digital cinema network in Asia

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

CG creation and production

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

BUSINESS REVIEW AND OUTLOOK (continued)

CG creation and production (continued)

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

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

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

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

CG training

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

BUSINESS REVIEW AND OUTLOOK (continued)

CG training (continued)

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

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

Films and television programme production

During the year, the Group operated the business of films and television programme production through 四方源創國際影視文化傳播（北京）有限公司 ("Concord Creation") together with its subsidiaries. In March 2010, the Group has signed an agreement to dispose its entire interests in Concord Creation, details of which are set out in the Group's announcement dated 16 March 2010, as the Group preferred to recoup of capital investment in Concord Creation for the development of other businesses.

BUSINESS REVIEW AND OUTLOOK (continued)

Finance leasing

In 2009, the Group actively responded to the difficulties caused by the financial tsunami and turns the critical conditions into advantages. During the year, the Group strengthened its credit risk management and more stringent cost control, the finance leasing division recorded a growth in the segment result by approximately 42% to HK$28,863,000 when compared with that of the corresponding period in the year 2008. In addition, the leasing division further improved the current credit procedures to existing clients and new financing lease project to ensure that credit risk will be minimized. Besides, all outstanding finance lease receivables as at 31 December 2009 either had good credit quality according to past payment history or adequate collateral had been held with estimated fair values in excess of the receivables.

In addition, the Group completed the acquisition of the remaining 20% equity interest in the registered capital of the subsidiary operation this division during the year, this enable the Group to increase its participation in this business and seize the opportunities presented in this business in the PRC without the hindrances of the involvement of a minority shareholder.

Financial investment

During the year, the Group operated the business of financial service through 首方投資管理（深圳）有限公司 ("Capital Steel"). In March 2010, the Group has signed an agreement to dispose its entire interests in Capital Steel, details of which are set out in the Group's announcement dated 16 March 2010, as the Group preferred to recoup of capital investment in Capital Steel for the development of other businesses.

Property investment and management

With the recovery of the economy and property market of Hong Kong, the resalable value of the Group's investment properties has been improving when compared with the year 2008. However, due to slight lagging of leasing market, property leasing and building management fee income for the year ended 31 December 2009 decreased slightly by 6%. The Directors expect investment properties in Hong Kong will continue to contribute stable cash return to the Group in the foreseeable future.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2009, the Group had bank balances and cash of approximately HK$372.8 million (2008: HK$195.4 million), restricted bank deposits of approximately HK$57.0 million (2008: HK$66.1 million) and pledged bank deposit of approximately HK$2.0 million (2008: HK$3.5 million) which were mainly denominated in Hong Kong dollars, Renminbi and United States dollars. The increase was mainly from net cash inflow from operating activities of approximately HK$406.2 million, net proceeds from disposal of intangible asset of approximately HK$249.1 million, increase in entrusted loan receivables of approximately HK$20.6 million and advance from an associate of approximately HK$20.9 million, netting off with purchase of property, plant and equipment of approximately HK$98.8 million, investment in a convertible loan receivable of approximately HK$45.5 million and net repayment of borrowings of approximately HK$392.9 million.

LIQUIDITY AND FINANCIAL RESOURCES (continued)

As at 31 December 2009, the Group's borrowings amounted to approximately HK$964.4 million, of which approximately HK$539.3 million were repayable within twelve months from 31 December 2009 and approximately HK$425.1 million were repayable after twelve months from 31 December 2009. All loans bore interest at market rates.

As at 31 December 2009, gearing ratio (calculated as borrowings net of bank balances and cash, restricted bank deposits and pledged bank deposit divided by total equity) was approximately 59% (2008: 125%). As at 31 December 2009, the Group had current ratio of approximately 155% (2008: 160%) based on current assets of approximately HK$1,184.0 million and current liabilities of approximately HK$766.2 million. The Group's leverage improved was mainly attributable to net cash inflow from operating activities.

CAPITAL STRUCTURE

The equity attributable to owners of the Company amounted to approximately HK$609.0 million as at 31 December 2009 (2008: HK$551.6 million). The increase was mainly due to profit for the year ended 31 December 2009 attributable to owners of the Company of approximately HK$38.7 million and transfer of approximately HK$21.5 million from share options reserve of a subsidiary upon cancellation of those share options during this year.

MATERIAL ACQUISITION, DISPOSALS AND SIGNIFICANT INVESTMENT

Other than acquisition of additional interest in a subsidiary and dilution of interests in a subsidiary as disclosed in notes 12 and 13 respectively, the Group had no material acquisitions, disposals and significant investment during the year ended 31 December 2009.

CHARGE ON ASSETS

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

(i) The Group's investment properties with an aggregate carrying value of approximately HK$152.5 million were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK$153.0 million.

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

(iii) The Group's finance lease receivables with a carrying value of approximately HK$827.9 million were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK$801.2 million.

CHARGE ON ASSETS (continued)

(iv) There were bank deposits of approximately HK$57.0 million restricted for the repayment of bank borrowings, which will be released upon full settlement of the relevant bank borrowings.

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

FOREIGN EXCHANGE EXPOSURE

The normal operations and investments of the Group are mainly in Hong Kong and the PRC, with revenue and expenditure denominated in Hong Kong dollars, Renminbi and United States dollars. The Directors believe that the Group does not have significant foreign exchange exposure. However, if necessary, the Group will consider using forward exchange contracts to hedge against foreign currency exposures. As at 31 December 2009, the Group has no significant exposure under foreign exchange.

CONTINGENT LIABILITIES

Saved as disclosed in note 44 about litigation proceeding, the Group had no significant contingent liabilities as at 31 December 2009.

EMPLOYEES

As at 31 December 2009, the Group employed 695 (2008: 699) full time employees (excluding those under the payroll of associates of the Group). The Group remunerated its employees mainly with reference to the prevailing market practice, individual performance and experience. Other benefits such as medical coverage, insurance plan, mandatory provident fund, discretionary bonus and employee share option scheme are also available to employee of the Group. Remuneration packages are reviewed either annually or by special increment.

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

The Company is committed to maintaining good corporate governance standard and procedures to safeguard the interests of all shareholders and to enhance accountability and transparency.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") during the financial year ended 31 December 2009, except for the following deviations:

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

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

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

  The Chairman of the Board of Directors of the Company did not attend the annual general meeting of the Company held on 1 June 2009 (the "Meeting") as he had another business engagement. The Vice Chairman and Managing Director of the Company, who took the chair of the Meeting, together with other members of the Board and the Audit, Remuneration and Nomination Committees attended the Meeting. The Company considers that the members of the Board and the Audit, Remuneration and Nomination Committees who attended the Meeting were already of sufficient calibre and number for answering questions at the Meeting.

BOARD OF DIRECTORS

Composition

The Board currently comprises four Executive Directors, two Non-executive Directors and three Independent Non-executive Directors. The list of Directors is set out in the section headed "Report of the Directors" of this annual report.

The Board includes a balanced composition of Executive and Non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

The Non-executive Directors are of sufficient calibre and number for their views to carry weight. The functions of Non-executive Directors include, but not limited to:

- bringing an independent judgement at Board meetings;
- taking the lead where potential conflicts of interests arise;
- serving on Board committees if invited; and
- scrutinising the Company's performance.

The Board members have no financial, business, family or other material/relevant relationships with each other.

The Board has a balance of skills and experience appropriate for the requirements of the business of the Company. The Directors' biographical information is set out in the section headed "Directors' Biographies" of this annual report.

Composition of the Board, including names of Independent Non-executive Directors of the Company, is disclosed in all corporate communications to shareholders.

Role and function

The Board is responsible for overall strategic formulation and performance monitoring of the Company and its subsidiaries (the "Group"). It delegates day-to-day operations of the Company to the Executive Committee and senior management within the control and authority framework set by the Board. In addition, the Board has also delegated various responsibilities to the Audit Committee, the Remuneration Committee and the Nomination Committee. Further details of these committees are set out in this report.

BOARD OF DIRECTORS (continued)

Board meetings

The Board has four scheduled meetings a year at approximately quarterly intervals. Additional meetings would be arranged, if and when required. The Directors can attend meetings in person or through other means of electronic communication in accordance with the Bye-laws.

The Company Secretary assists the Chairman in drawing the agenda of each meeting and each Director may request inclusion of matters in the agenda. Generally, at least 14 days' notice of a regular Board meeting is given and the Company aims at giving reasonable notice for all other Board meetings. The Company also aims at sending the agenda and the accompanying board papers, which are prepared in such form and quality as will enable the Board to make an informed decision on matters placed before it, to all Directors at least 3 days before the intended date of a Board meeting.

All Directors have access to the Company Secretary who is responsible for ensuring that Board procedures are complied with and all applicable rules and regulations are followed.

The Company Secretary is responsible for taking minutes of Board and Board committee meetings, drafts and final versions of which would be sent to Directors for comments and records respectively, in both cases within a reasonable time after each meeting. Minutes are recorded in sufficient detail the matters considered by the Board and decisions reached, including any concerns raised by Directors or dissenting views (if any) expressed. Minutes of Board and Board committees meetings are kept by the Company Secretary and are open for inspection by any Director/committee member.

If a substantial shareholder or a Director has a conflict of interest in a matter (including material transaction with connected persons) which the Board has determined to be material, a Board meeting will be held instead of by way of circulation.

BOARD OF DIRECTORS (continued)

Attendance records

During the financial year ended 31 December 2009, the Directors have made active contribution to the affairs of the Group and four Board meetings were held to consider, among other things, various projects contemplated by the Group and to review and approve the interim results and annual results of the Group.

Details of Directors' attendance records in 2009 are as follows:

	Meetings attended/Eligible to attend
Chairman	
Wang Qinghai	0/4
Executive Directors	
Cao Zhong	4/4
Chen Zheng	2/4
Wang Tian	4/4
Yuan Wenxin	4/4
Non-executive Director	
Leung Shun Sang, Tony	4/4
Independent Non-executive Directors	
Tam King Ching, Kenny	3/4
Zhou Jianhong	4/4
Yip Kin Man, Raymond	4/4

Access to information

The Directors may seek independent professional advice in appropriate circumstances, at the Company's expenses. The Company will, upon request, provide separate independent professional advice to Directors to assist the relevant Directors to discharge their duties to the Company.

The Board is supplied with relevant information by the senior management pertaining to matters to be brought before the Board for decision as well as reports relating to operational and financial performance of the Group before each Board meeting. Where any Director requires more information than is volunteered by the management, each Director has the right to separately and independently access to the Company's senior management to make further enquiries if necessary.

BOARD OF DIRECTORS (continued)

Appointments and re-election of Directors

Appointment of new Directors is a matter for consideration by the Nomination Committee. The Nomination Committee will review the profiles of the candidates and make recommendations to the Board on the appointment, re-nomination and retirement of Directors.

According to the Bye-laws, any Director so appointed by the Board shall hold office, in the case of filling a casual vacancy, only until the next following general meeting of the Company or, in the case of an addition to their number, until the next following annual general meeting of the Company who shall then be eligible for re-election at such general meeting. Every Director (including Non-executive Director) is appointed for a specific term and is, except for the Chairman and the Managing Director, subject to retirement by rotation at least once every three years.

Every newly appointed Director will be given an introduction of regulatory requirements. The Directors are continually updated on the latest development of the Listing Rules and other applicable statutory requirements to ensure compliance and upkeep of good corporate governance practice.

Independent Non-executive Directors

Pursuant to Rules 3.10(1) and 3.10(2) of the Listing Rules, the Company has appointed three Independent Non-executive Directors. One of the Independent Non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise.

The Company has received from each of its Independent Non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and the Company considers that all of the Independent Non-executive Directors are independent.

Directors' and officers' liability

Appropriate insurance cover on directors' and officers' liabilities has been in force to protect the Directors and officers of the Group from their risk exposure arising from the businesses of the Group.

CHAIRMAN AND MANAGING DIRECTOR

The roles of Chairman and Managing Director are separate and are not performed by the same individual to reinforce their independence and accountability. Mr. Wang Qinghai assumes the role of the Chairman and Mr. Cao Zhong serves as the Vice Chairman and the Managing Director of the Company. The Chairman provides leadership for the Board and the Vice Chairman assists the Chairman to discharge his duties. The Managing Director has overall chief executive responsibility for the Group's business development and day-to-day management generally. The division of responsibilities between the Chairman and the Managing Director is clearly established and set out in writing.

With the support of Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner.

BOARD COMMITTEES

The Board has established the following committees to oversee particular aspects of the Company's affairs and to assist in the execution of the Board's responsibilities. All committees have their own terms of reference. All resolutions passed by the committees will be reported to the Board at the next Board meeting.

Executive Committee

An Executive Committee of the Board was established in September 2005 and comprises all Executive Directors of the Company.

As at 31 December 2009, the members of the Executive Committee were as follows:

- Cao Zhong *(Chairman)*
- Chen Zheng
- Wang Tian
- Yuan Wenxin

The Executive Committee has been conferred with the general powers of the Board (except those matters specifically reserved for the Board) to manage and oversee the operations of the Group. During the year, two meetings of the Executive Committee were held.

Audit Committee

An Audit Committee of the Board has been established with specific written terms of reference which deal clearly with its authorities and duties. The terms of reference of the Audit Committee are available on request and are posted on the Company's website.

BOARD COMMITTEES (continued)

Audit Committee (continued)

The principal duties of the Audit Committee include, among other things:

- overseeing the relationship with the Company's auditor;
- reviewing the interim and annual financial statements; and
- reviewing the Company's financial reporting system and internal control procedures.

The Audit Committee has explicit authority to investigate any activity within its terms of reference and the authority to obtain outside legal or other independent professional advice if it considers necessary. It is given access to and assistance from the employees and reasonable resources to discharge its duties properly.

The Audit Committee comprised three Independent Non-executive Directors of the Company. None of the members of the Audit Committee are former partners of the auditor of the Company. The members of the Audit Committee during the year and their attendance were as follows:

	Meetings attended/Eligible to attend
Tam King Ching, Kenny *(Chairman)*	2/2
Zhou Jianhong	2/2
Yip Kin Man, Raymond	2/2

During the year, two meetings of the Audit Committee were held for, amongst other things:

- reviewing the final results of the Group for the financial year ended 31 December 2008; and
- reviewing the interim results of the Group for the six months ended 30 June 2009.

During the year, the Board had no disagreement with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditor.

BOARD COMMITTEES (continued)

Nomination Committee

A Nomination Committee of the Board was established in September 2005 with specific written terms of reference which deal clearly with its authorities and duties. The terms of reference of the Nomination Committee are available on request and are posted on the Company's website.

The principal duties of the Nomination Committee include:

- reviewing the structure, size and composition of the Board;
- identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board;
- making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors; and
- assessing the independence of Independent Non-executive Directors.

Where vacancies exist at the Board, candidates are proposed and put forward to the Nomination Committee for consideration. The recommendations of the Nomination Committee will then be tendered to the Board for approval. In considering the nomination of a new Director, the Nomination Committee will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates. In determining the independence of Directors, the Board follows the requirements set out in the Listing Rules.

The Nomination Committee has explicit authority to seek any necessary information from the employees within its scope of duties and the authority to obtain outside independent professional advice if it considers necessary.

The members of the Nomination Committee during the year and their attendance were as follows:

	Meetings attended/Eligible to attend
Cao Zhong *(Chairman)*	1/1
Leung Shun Sang, Tony *(Vice Chairman)*	1/1
Tam King Ching, Kenny	1/1
Zhou Jianhong	1/1
Yip Kin Man, Raymond	1/1

BOARD COMMITTEES (continued)

Nomination Committee (continued)

The Independent Non-executive Directors of the Company constitute the majority of the Nomination Committee.

During the year, one meeting of the Nomination Committee was held for reviewing the structure of the Board.

Remuneration Committee

A Remuneration Committee of the Board was established in September 2005 with specific written terms of reference which deal clearly with its authorities and duties. The terms of reference of the Remuneration Committee are available on request and are posted on the Company's website.

The principal duties of the Remuneration Committee include:

- making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management of the Group;
- reviewing and approving performance-based remuneration;
- determining the specific remuneration packages of all Executive Directors and senior management and making recommendation to the Board of the remuneration of Non-executive Directors;
- reviewing and approving the compensation payable to Executive Directors and senior management and the compensation arrangements relating to dismissal or removal of Directors for misconduct; and
- ensuring that no Director or any of his/her associates is involved in deciding his/her own remuneration.

The Remuneration Committee may consult the Chairman about their proposals relating to the remuneration of other Executive Directors. It has explicit authority to seek any necessary information from the employees within its scope of duties and the authority to obtain outside independent professional advice if it considers necessary.

The remuneration policies for the Company as well as the Directors are market alignment and reward for performance. The Company reviews the remuneration package annually taking into consideration of the market practice, competitive market position and individual performance.

BOARD COMMITTEES (continued)

Remuneration Committee (continued)

The members of the Remuneration Committee during the year and their attendance were as follows:

	Meetings attended/Eligible to attend
Leung Shun Sang, Tony *(Chairman)*	1/1
Cao Zhong *(Vice Chairman)*	1/1
Tam King Ching, Kenny	1/1
Zhou Jianhong	1/1
Yip Kin Man, Raymond	1/1

The Independent Non-executive Directors of the Company constitute the majority of the Remuneration Committee.

During the year, one meeting of the Remuneration Committee was held for, amongst other things:

- reviewing the remuneration and terms of service contracts of the Executive Directors of the Company;
- determining the bonuses of the Executive Directors of the Company for the year 2009; and
- making recommendations to the Board on the directors' fee of the Non-executive Directors of the Company for the year 2010.

INTERNAL CONTROL

The Board is of the opinion that sound internal control systems will contribute to the effectiveness and efficiency of operations of the Group and to the safeguard of the Group's assets as well as the shareholders' investment.

The Board is responsible for overall ensuring, maintaining and overseeing the internal control systems of the Group. The Executive Committee helps the Board to discharge its responsibilities of ensuring and maintaining sound internal control functions by regularly and continuously reviewing and monitoring the internal control systems and processes so as to ensure that they can provide reasonable assurance against material errors of the Group.

INTERNAL CONTROL (continued)

The internal control system is embedded within the business processes so that it functions as an integral part of the overall operations of the Group. The system comprises a comprehensive organization structure with assignment of definite accountabilities and delegation of the corresponding authorities to each post. Based on the organization structure, a reporting system has been developed which includes a reporting system from division head of each principal business unit to the Executive Committee.

Business plan and budget are prepared by the division head of each principal business unit annually. In preparing the business plans and budgets, the management identifies and evaluates any potential risks. Measures will be put in place with an aim to ultimately manage, control or eliminate such risks.

The business plans and budgets are subject to review and approval by the Executive Committee. The Executive Committee reviews monthly management report on the operational and financial results of each principal business unit and measures the actual performance of the Group against the business plan and budget concerned. In this course, the Executive Committee also reviews and assesses the effectiveness of all material controls, and the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes. The Executive Committee holds periodical meetings with the senior management of each principal business unit and the finance team to, amongst other matters, address the issues in such controls, identify areas of improvement and put the appropriate measures in place.

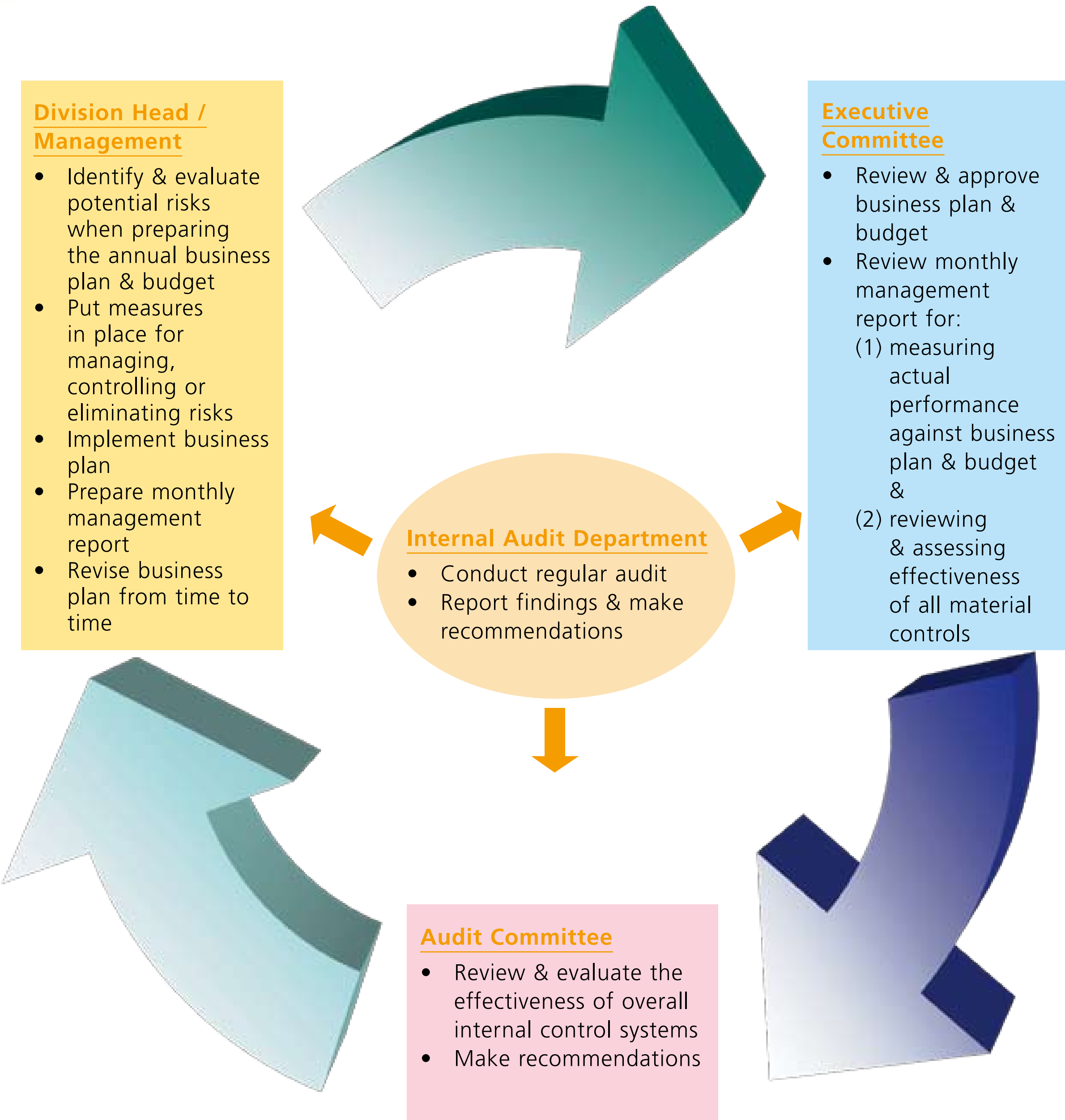
The internal control system is documented and if any revision is required, such information will be submitted to the Audit Committee for evaluation.

The Audit Committee assists the Board to fulfill its oversight role over the Group's internal control function by reviewing and evaluating the effectiveness of the overall internal control systems.

The Company has set up an Internal Audit Department which assists the Executive Committee and the Audit Committee to discharge its duties in internal control aspect. The Internal Audit Department, which is independent to the operational departments of the Group, is responsible for conducting regular audits on the major activities of the Group. Its objective is to ensure that all material controls, including financial, operational and compliance controls as well as risk management, are in place and functioning effectively. The Internal Audit Department reports to the Executive Committee and the Audit Committee with its findings and makes recommendations to improve the internal control systems of the Group.

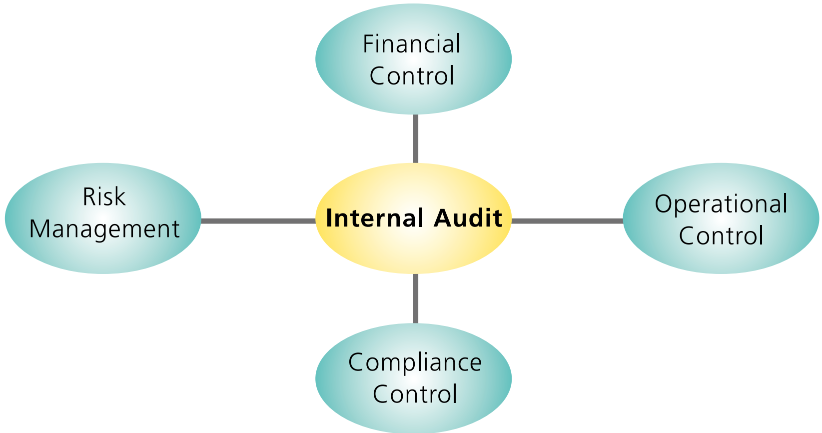
INTERNAL CONTROL (continued)

Internal control system



INTERNAL CONTROL (continued)

Internal audit functions



The Board considers that it is an ongoing and continuous process for the Group to review and improve its internal control systems in order to ensure that they can meet with the dynamic and ever changing business environment. During the year under review, the Board has been, through the Executive Committee and the Audit Committee (with the assistance from the Internal Audit Department), continuously reviewing the effectiveness of the Group's internal control systems. Each of the division heads of the Group has submitted a Representation Letter to the Audit Committee, in which he/she made representations as to the compliance by themselves and their subordinates of key internal control systems for the year ended 31 December 2009. The requirement for making Representation Letters by the key management can strengthen individual responsibility for corporate governance and controls.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules as a code of conduct of the Company for Directors' securities transactions.

Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions throughout the year ended 31 December 2009.

Employees who are deemed to be in possession of unpublished price sensitive information in relation to the Company or its shares are required to prohibit from dealing in shares of the Company during the black-out period.

AUDITOR'S REMUNERATION

During the year, the remuneration paid to the Company's auditor, Deloitte Touche Tohmatsu, is set out as follows:

Services rendered	**Fee paid/payable** *HK$'000*
Statutory audit services	1,489
Non-statutory audit services:	
Review on interim financial report	573
Special audit services	480
	2,542

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing financial statements of the Group which give a true and fair view of the state of affairs of the Group on a going concern basis and in presenting the interim and annual financial statements, announcements and other financial disclosures required under the Listing Rules, the Directors aim to present a balanced, clear and understandable assessment of the Group's position and prospects.

The statement of the auditor of the Company, Deloitte Touche Tohmatsu, about its reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 59 to 60 of this annual report.

COMMUNICATION WITH SHAREHOLDERS

To foster effective communications with the shareholders, the Company provides extensive information in its annual and interim reports and announcements. All shareholders' communications are also available on the Company's website at www.shougang-grand.com.hk.

The annual general meeting of the Company provides a useful forum for shareholders to exchange views with the Board. All Directors will make an effort to attend. External auditor is also available at the annual general meeting to address shareholders' queries. In case of any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval, members of the independent Board committee will also make an effort to attend to address shareholders' queries.

During the year, all notices of general meetings despatched by the Company to its shareholders for meetings held were sent in the case of annual general meeting at least 20 clear business days before the meeting and at least 10 clear business days in the case of all other general meetings. Separate resolutions were proposed at general meetings on each substantially separate issue, including the election of individual Directors, and all resolutions put to the vote of a general meeting were taken by way of a poll. At the commencement of a general meeting, the chairman of the meeting explained the procedures for conducting a poll and answered questions from shareholders regarding voting by way of a poll, if any. The results of the poll were published on the websites of the Stock Exchange and the Company respectively.

REPORT OF THE DIRECTORS

The Directors herein present their report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its principal subsidiaries and associates are set out in notes 50 and 24 to the consolidated financial statements respectively.

RESULTS

The results of the Group for the year ended 31 December 2009 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 61 to 160 of this annual report.

The Board of Directors of the Company does not recommend the payment of any dividend in respect of the year (2008: Nil).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five financial years is set out on pages 163 to 164 of this annual report.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the year are set out in note 20 to the consolidated financial statements.

Particulars of the major investment properties of the Group as at the end of the reporting period are set out on pages 161 to 162 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 18 to the consolidated financial statements.

Particulars of the major properties of the Group as at the end of the reporting period are set out on page 162 of this annual report.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 42 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 65 to 66 of this annual report.

DONATIONS

Charitable donations made by the Group during the year amounted to approximately HK$700,000 (2008: HK$795,000).

DIRECTORS

The Directors of the Company during the year were as follows:

Wang Qinghai
Cao Zhong
Chen Zheng
Wang Tian
Yuan Wenxin
Leung Shun Sang, Tony
Tam King Ching, Kenny*
Zhou Jianhong*
Yip Kin Man, Raymond*

* *Independent Non-executive Directors*

In accordance with clause 99(A) of the Company's bye-laws, Mr. Wang Tian, Ms. Zhou Jianhong and Mr. Yip Kin Man, Raymond will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

In order to comply with the second part of code provision A.4.2 of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), Mr. Chen Zheng, being the Company's Managing Director of Operations, will retire voluntarily and, being eligible, offer himself for re-election at the forthcoming annual general meeting of the Company.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

The Directors of the Company who held office at 31 December 2009 had the following interests in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as at 31 December 2009 as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules:

(a) Long positions in the shares and underlying shares of the Company

		Number of shares/underlying shares in the Company			Total interests as to % of the issued share capital of the Company as at 31.12.2009
Name of Director	Capacity in which interests are held	Interests in shares	Interests in underlying shares*	Total interests	
Wang Qinghai	Beneficial owner	–	11,368,000	11,368,000	0.98%
Cao Zhong	Beneficial owner	–	22,868,000	22,868,000	1.98%
Chen Zheng	Beneficial owner	–	18,368,000	18,368,000	1.59%
Wang Tian	Beneficial owner	4,000,000	11,094,000	15,094,000	1.31%
Yuan Wenxin	Beneficial owner	4,000,000	15,094,000	19,094,000	1.65%
Leung Shun Sang, Tony	Beneficial owner	8,278,000	19,368,679	27,646,679	2.40%
Tam King Ching, Kenny	Beneficial owner	–	2,286,000	2,286,000	0.19%
Zhou Jianhong	Beneficial owner	–	2,286,000	2,286,000	0.19%
Yip Kin Man, Raymond	Beneficial owner	–	2,286,000	2,286,000	0.19%

* *The relevant interests are unlisted physically settled options granted pursuant to the Company's share option scheme adopted on 7 June 2002 (the "Scheme"). Upon exercise of the share options in accordance with the Scheme, ordinary shares of HK$0.01 each in the share capital of the Company are issuable. The share options are personal to the respective Directors. Further details of the share options are set out in the section headed "Share Option Schemes" below.*

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

(b) Long positions in the shares and underlying shares of Global Digital Creations Holdings Limited ("GDC"), an associated corporation of the Company

Name of Director	Capacity in which interests are held	Number of shares/underlying shares in GDC: Interests in shares	Interests in underlying shares*	Total interests	Total interests as to % of the issued share capital of GDC as at 31.12.2009
Cao Zhong	Beneficial owner	26,942,200	4,900,000	31,842,200	2.45%
Chen Zheng	Beneficial owner	8,718,200	4,900,000	13,618,200	1.05%
Wang Tian	Beneficial owner	820	–	820	0.00%
Leung Shun Sang, Tony	Beneficial owner	20,008,200	4,900,000	24,908,200	1.92%
Zhou Jianhong	Beneficial owner	500,615	–	500,615	0.03%

* *The relevant interests are unlisted physically settled options granted pursuant to GDC's share option scheme adopted on 18 July 2003 (the "GDC Scheme"). Upon exercise of the share options in accordance with the GDC Scheme, ordinary shares of HK$0.01 each in the share capital of GDC are issuable. The share options are personal to the respective Directors. Further details of the share options are set out in the section headed "Share Option Schemes" below.*

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

(c) Long positions in the shares and underlying shares of GDC Technology Limited ("GDC Tech"), an associated corporation of the Company

Name of Director	Capacity in which interests are held	Number of shares/underlying shares in GDC Tech: Interests in shares	Interests in underlying shares*	Total interests	Total interests as to % of the issued share capital of GDC Tech as at 31.12.2009
Cao Zhong	Beneficial owner	8,533,334	1,650,000	10,183,334	4.36%
Chen Zheng	Beneficial owner	8,533,334	1,650,000	10,183,334	4.36%
Leung Shun Sang, Tony	Beneficial owner	2,130,000	1,650,000	3,780,000	1.62%

* *The relevant interests are unlisted physically settled options granted pursuant to GDC Tech's share option scheme adopted on 19 September 2006 (the "GDC Tech Scheme"). Upon exercise of the share options in accordance with the GDC Tech Scheme, ordinary shares of HK$0.10 each in the share capital of GDC Tech are issuable. The share options are personal to the respective Directors. Further details of the share options are set out in the section headed "Share Option Schemes" below.*

Save as disclosed above, as at 31 December 2009, none of the Company's Directors, chief executives or their respective associates had any other personal, family, corporate and other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed in the sections headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" and "Share Option Schemes" herein, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's Directors or their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Pursuant to Rule 8.10 of the Listing Rules, the following Directors have declared interests in the following businesses (other than those businesses where the Directors of the Company were appointed as directors to represent the interests of the Company and/or any member of the Group) which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group during the year:

Name of Director	Name of entity whose businesses are considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entity which are considered to compete or likely to compete with the businesses of the Group	Nature of interest of the Director in the entity
Wang Qinghai	Shougang Corporation#	Property investment	Director
Cao Zhong	China Shougang International Trade and Engineering Corporation#	Property investment	Director
	Shougang Holding (Hong Kong) Limited# ("Shougang Holding")	Property investment	Director

\# *Such businesses may be carried out through the subsidiaries or associates of the entity concerned or by way of other forms of investments.*

The Board of Directors of the Company is independent from the boards of the above-mentioned entities and is accountable to the Company's shareholders. Coupled with the diligence of its Independent Non-executive Directors whose views carry significant weight in the Board's decisions, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of these entities.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2009, according to the register kept by the Company under Section 336 of the SFO, the following companies and persons had interests in the shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Long positions in the shares of the Company

Name of shareholder	Capacity in which interests are held	Number of shares	Interests as to % of the issued share capital of the Company as at 31.12.2009	*Note(s)*
Shougang Holding	Interests of controlled corporations	489,450,710	42.50%	*1*
Wheeling Holdings Limited ("Wheeling")	Beneficial owner	430,491,315	37.38%	*1*
Prime Success Investments Limited ("Prime Success")	Beneficial owner	58,959,395	5.12%	*1*
Cheung Kong (Holdings) Limited ("Cheung Kong")	Interests of controlled corporations	133,048,717	11.55%	*2, 3*
Max Same Investment Limited ("Max Same")	Beneficial owner	91,491,193	7.94%	*2*
Li Ka-shing	Interests of controlled corporations, founder of discretionary trusts	133,048,717	11.55%	*3*
Li Ka-Shing Unity Trustee Company Limited ("TUT1")	Trustee	133,048,717	11.55%	*3*
Li Ka-Shing Unity Trustee Corporation Limited ("TDT1")	Trustee, beneficiary of a trust	133,048,717	11.55%	*3*
Li Ka-Shing Unity Trustcorp Limited ("TDT2")	Trustee, beneficiary of a trust	133,048,717	11.55%	*3*

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO (continued)

Long positions in the shares of the Company (continued)

Notes:

1. Shougang Holding indicated in its disclosure form dated 28 September 2007 (being the latest disclosure form filed up to 31 December 2009) that as at 25 September 2007, its interests included 430,491,315 and 58,959,395 shares of the Company held by Wheeling and Prime Success respectively, both were wholly-owned subsidiaries of Shougang Holding.

2. Cheung Kong indicated in its disclosure form dated 26 February 2005 (being the latest disclosure form filed up to 31 December 2009) that as at 23 February 2005, its interests included 91,491,193 shares of the Company held by Max Same, a wholly-owned subsidiary of Cheung Kong.

3. Li Ka-Shing Unity Holdings Limited ("Unity Holdco"), of which each of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard was interested in one-third of the entire issued share capital, owned the entire issued share capital of TUT1. TUT1 as trustee of The Li Ka-Shing Unity Trust ("UT1"), together with certain companies which TUT1 as trustee of UT1 was entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings, held more than one-third of the issued share capital of Cheung Kong.

   In addition, Unity Holdco also owned the entire issued share capital of TDT1 as trustee of The Li Ka-Shing Unity Discretionary Trust ("DT1") and TDT2 as trustee of another discretionary trust ("DT2"). Each of TDT1 and TDT2 held units in UT1.

   By virtue of the SFO, each of Mr. Li Ka-shing, being the settlor and may being regarded as a founder of each of DT1 and DT2 for the purpose of the SFO, TUT1, TDT1 and TDT2 was deemed to be interested in the same block of shares in which Cheung Kong was interested under the SFO.

Save as disclosed above, as at 31 December 2009, the Company has not been notified of any other person (other than the Directors and chief executives of the Company) who had an interest or short position in the shares and/or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company, there is a sufficiency of public float of the Company's securities as required under the Listing Rules as at the date of this annual report.

SHARE OPTION SCHEMES

(a) Share option scheme of the Company

On 7 June 2002, the Scheme which complies with the requirements of Chapter 17 of the Listing Rules was adopted by the shareholders of the Company.

The purpose of the Scheme is to enable the Company to grant share options to selected participants as incentives or rewards for their contributions to the Company and/or its subsidiaries and/or its associated companies. The Scheme will remain in force for a period of 10 years commencing on 7 June 2002, being the date of adoption of the Scheme, to 6 June 2012.

Under the Scheme, the Directors may, at their discretion, offer 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 who, in the sole discretion of the Directors, will contribute or have contributed to the Company or any of its subsidiaries or any of its associated companies, share options to subscribe for shares of the Company.

The total number of shares of the Company which may be issued upon exercise of all outstanding share options granted under the Scheme is 111,748,679 which represents approximately 9.70% of the issued share capital of the Company as at the date of this annual report. The maximum number of shares of the Company available for issue upon exercise of all share options which may be granted under the Scheme is 115,139,246, representing approximately 10% of the issued share capital of the Company as at the date of this annual report. The total number of shares of the Company issued and to be issued upon the exercise of share options granted under the Scheme (including exercised, cancelled and outstanding share options) to each grantee in any 12-month period up to the date of grant shall not exceed 1% of the issued share capital of the Company as at the date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. 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 in aggregate 0.1% of the shares of the Company in issue (based on the date of offer) and an aggregate value of HK$5,000,000 (based on the closing price of the Company's shares at the date of each offer), within any 12-month period, are subject to shareholders' approval in advance in a general meeting. Share options granted to a Director, chief 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.

SHARE OPTION SCHEMES (continued)

(a) Share option scheme of the Company (continued)

The period during which a share option may be exercised will be determined by the Directors at their absolute discretion, save that no share option may be exercised more than 10 years after it has been granted under the Scheme. There is no requirement that a share option must be held for any minimum period before it can be exercised but the Directors are empowered to impose at their discretion any such minimum period at the time of grant of any share options.

The exercise price in relation to each share option will be determined by the Directors at their absolute discretion and shall not be less than the highest of (i) the official closing price of the shares of the Company as stated in the daily quotation sheet of the Stock Exchange on the date of offer of share options; (ii) the average of the official closing prices of the shares of the Company as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of offer of share options; and (iii) the nominal value of the share of the Company on the date of offer of share options. Each of the grantees is required to pay HK$1 as consideration for the grant of share options in accordance with the Scheme. The offer of share options must be accepted within 60 days from the date of the offer.

Share options do not confer rights on the holders to dividends or to vote at general meetings.

SHARE OPTION SCHEMES (continued)

(a) Share option scheme of the Company (continued)

No share option was granted, exercised or cancelled in accordance with the terms of the Scheme during the year. Details of movements in the share options under the Scheme during the year are as follows:

	Options to subscribe for shares of the Company							
Category or name of grantees	At the beginning of the year	Transferred to other category during the year	Transferred from other category during the year	Lapsed during the year	At the end of the year	Date of grant	Exercise period	Exercise price per share
Directors of the Company								
Wang Qinghai	11,368,000	–	–	–	11,368,000	19.01.2007	19.01.2007 – 18.01.2017	HK$0.410
Cao Zhong	11,368,000	–	–	–	11,368,000	19.01.2007	19.01.2007 – 18.01.2017	HK$0.410
	11,500,000	–	–	–	11,500,000	22.01.2008	22.01.2008 – 21.01.2018	HK$0.724
	22,868,000	–	–	–	22,868,000			
Chen Zheng	11,368,000	–	–	–	11,368,000	19.01.2007	19.01.2007 – 18.01.2017	HK$0.410
	7,000,000	–	–	–	7,000,000	22.01.2008	22.01.2008 – 21.01.2018	HK$0.724
	18,368,000	–	–	–	18,368,000			
Wang Tian	5,094,000	–	–	–	5,094,000	19.01.2007	19.01.2007 – 18.01.2017	HK$0.410
	6,000,000	–	–	–	6,000,000	22.01.2008	22.01.2008 – 21.01.2018	HK$0.724
	11,094,000	–	–	–	11,094,000			
Yuan Wenxin	9,094,000	–	–	–	9,094,000	19.01.2007	19.01.2007 – 18.01.2017	HK$0.410
	6,000,000	–	–	–	6,000,000	22.01.2008	22.01.2008 – 21.01.2018	HK$0.724
	15,094,000	–	–	–	15,094,000			

SHARE OPTION SCHEMES (continued)

(a) Share option scheme of the Company (continued)

Category or name of grantees	Options to subscribe for shares of the Company: At the beginning of the year	Transferred to other category during the year	Transferred from other category during the year	Lapsed during the year	At the end of the year	Date of grant	Exercise period	Exercise price per share
Directors of the Company (continued)								
Leung Shun Sang, Tony	75	–	–	–	75	23.08.2002	23.08.2002 – 06.06.2012	HK$0.730
	604	–	–	–	604	06.03.2003	06.03.2003 – 05.03.2013	HK$0.760
	11,368,000	–	–	–	11,368,000	19.01.2007	19.01.2007 – 18.01.2017	HK$0.410
	8,000,000	–	–	–	8,000,000	22.01.2008	22.01.2008 – 21.01.2018	HK$0.724
	19,368,679	–	–	–	19,368,679			
Tam King Ching, Kenny	1,136,000	–	–	–	1,136,000	19.01.2007	19.01.2007 – 18.01.2017	HK$0.410
	1,150,000	–	–	–	1,150,000	22.01.2008	22.01.2008 – 21.01.2018	HK$0.724
	2,286,000	–	–	–	2,286,000			
Zhou Jianhong	1,136,000	–	–	–	1,136,000	19.01.2007	19.01.2007 – 18.01.2017	HK$0.410
	1,150,000	–	–	–	1,150,000	22.01.2008	22.01.2008 – 21.01.2018	HK$0.724
	2,286,000	–	–	–	2,286,000			
Yip Kin Man, Raymond	1,136,000	–	–	–	1,136,000	19.01.2007	19.01.2007 – 18.01.2017	HK$0.410
	1,150,000	–	–	–	1,150,000	22.01.2008	22.01.2008 – 21.01.2018	HK$0.724
	2,286,000	–	–	–	2,286,000			
	105,018,679	–	–	–	105,018,679			

SHARE OPTION SCHEMES (continued)

(a) Share option scheme of the Company (continued)

	Options to subscribe for shares of the Company							
Category or name of grantees	At the beginning of the year	Transferred to other category during the year	Transferred from other category during the year	Lapsed during the year	At the end of the year	Date of grant	Exercise period	Exercise price per share
Employees of the Group	1,330,000	–	–	–	1,330,000	06.03.2003	06.03.2003 – 05.03.2013	HK$0.760
	7,200,000	(800,000)[1]	–	(500,000)[2]	5,900,000	19.01.2007	19.01.2007 – 18.01.2017	HK$0.410
	8,530,000	(800,000)	–	(500,000)	7,230,000			
Other participants	–	–	800,000[1]	–	800,000	19.01.2007	19.01.2007 – 18.01.2017	HK$0.410
	113,548,679	(800,000)	800,000	(500,000)	113,048,679			

Notes:

1. The share options were held by a grantee who ceased to be an employee of the Group during the year and such share options were re-classified from the category of "Employees of the Group" to "Other participants" during the year. According to the terms of the Scheme, such share options shall lapse on the expiry of the one month period following the date of cessation as an employee of the Group. Accordingly, such share options were lapsed subsequent to the year end date and on 1 January 2010.

2. The share options were held by a grantee who ceased to be an employee of the Company during the year and such share options were lapsed on 13 December 2009.

(b) Share option scheme of a subsidiary of the Company – GDC

GDC, a non wholly-owned subsidiary of the Company which is listed on the Growth Enterprise Market of the Stock Exchange ("GEM"), has adopted the GDC Scheme by a shareholders' resolution passed at its special general meeting held on 18 July 2003.

The purpose of the GDC Scheme is to enable GDC to grant share options to eligible participants as rewards for their contributions to GDC and its subsidiaries (the "GDC Group"). The GDC Scheme will remain in force for a period of 10 years commencing on 4 August 2003, being the date on which dealings in the shares of GDC first commenced on the GEM, to 3 August 2013.

SHARE OPTION SCHEMES (continued)

(b) Share option scheme of a subsidiary of the Company – GDC (continued)

Under the GDC Scheme, the directors of GDC may, at their discretion, offer any full-time employees, directors (including independent non-executive directors) and part-time employees with weekly working hours of 10 hours and above, of the GDC Group and any advisors (professionals or otherwise) or consultants, distributors, suppliers, agents, customers, joint venture partners, service providers to the GDC Group who the directors of GDC consider, in their sole discretion, will contribute or have contributed to the GDC Group, share options to subscribe for shares of GDC.

The total number of shares of GDC which may be issued upon exercise of all outstanding share options granted under the GDC Scheme is 25,580,000 which represents approximately 1.97% of the issued share capital of GDC as at the date of this annual report. The maximum number of shares of GDC available for issue upon exercise of all share options which may be granted under the GDC Scheme is 81,909,550, representing approximately 6.32% of the issued share capital of GDC as at the date of this annual report. The total number of shares of GDC issued and to be issued upon the exercise of share options granted under the GDC Scheme (including exercised, cancelled and outstanding share options) to each grantee in any 12-month period up to the date of grant shall not exceed 1% of the issued share capital of GDC as at the date of grant. Any further grant of share options in excess of this limit is subject to approval of shareholders of GDC and the Company respectively in general meetings. In addition, any share options granted to a substantial shareholder or an independent non-executive director of GDC or the Company, or to any of their respective associates, in excess of in aggregate 0.1% of the shares of GDC in issue (based on the date of offer) and an aggregate value of HK$5,000,000 (based on the closing price of the shares of GDC at the date of each offer), within any 12-month period, are subject to approval of the shareholders of GDC and the Company in advance in general meetings. Share options granted to a director, chief executive, management shareholder or substantial shareholder of GDC or the Company, or to any of their respective associates, are subject to approval in advance by the independent non-executive directors of GDC and the Company.

The period during which a share option may be exercised will be determined by the directors of GDC at their absolute discretion, save that no share option may be exercised more than 10 years after it has been granted under the GDC Scheme. There is no requirement that a share option must be held for any minimum period before it can be exercised but the directors of GDC are empowered to impose at their discretion any such minimum period at the time of grant of any share options.

SHARE OPTION SCHEMES (continued)

(b) Share option scheme of a subsidiary of the Company – GDC (continued)

The exercise price in relation to each share option will be determined by the directors of GDC at their absolute discretion and shall not be less than the highest of (i) the official closing price of the shares of GDC as stated in the daily quotation sheet of the Stock Exchange on the date of offer of share options; (ii) the average of the official closing prices of the shares of GDC as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of offer of share options; and (iii) the nominal value of the share of GDC on the date of offer of share options. Each of the grantees is required to pay HK$1 as consideration for the grant of share options in accordance with the GDC Scheme. The offer of share options must be accepted within 28 days from the date of the offer.

No share option was granted, exercised or cancelled in accordance with the terms of the GDC Scheme during the year. Details of movements in the share options under the GDC Scheme during the year are as follows:

	Options to subscribe for shares of GDC							
Category or name of grantees	At the beginning of the year	Transferred to other category during the year	Transferred from other category during the year	Lapsed during the year	At the end of the year	Date of grant	Exercise period	Exercise price per share
Directors of the Company								
Cao Zhong	4,900,000	–	–	–	4,900,000	30.10.2007	30.10.2007 – 29.10.2012	HK$2.75
Chen Zheng	4,900,000	–	–	–	4,900,000	30.10.2007	30.10.2007 – 29.10.2012	HK$2.75
Leung Shun Sang, Tony	4,900,000	–	–	–	4,900,000	30.10.2007	30.10.2007 – 29.10.2012	HK$2.75
	14,700,000	–	–	–	14,700,000			
Employees of the Group	9,708,200	–	–	(9,708,200)[1]	–	06.10.2006	06.10.2006 – 05.10.2009	HK$0.30
	2,300,000	–	–	–	2,300,000[2]	22.03.2007	22.03.2007 – 21.03.2010	HK$1.07
	3,323,000	(620,000)[3]	–	–	2,703,000[4]	04.04.2007	04.04.2007 – 03.04.2010	HK$1.52
	21,900,000	–	–	(12,000,000)[5]	9,900,000	30.10.2007	30.10.2007 – 29.10.2012	HK$2.75
	37,231,200	(620,000)	–	(21,708,200)	14,903,000			

SHARE OPTION SCHEMES (continued)

(b) Share option scheme of a subsidiary of the Company – GDC (continued)

Category or name of grantees	Options to subscribe for shares of GDC: At the beginning of the year	Transferred to other category during the year	Transferred from other category during the year	Lapsed during the year	At the end of the year	Date of grant	Exercise period	Exercise price per share
Other participants	800,820	–	–	(800,820)[1]	–	06.10.2006	06.10.2006 – 05.10.2009	HK$0.30
	720,000	–	620,000[3]	–	1,340,000[4]	04.04.2007	04.04.2007 – 03.04.2010	HK$1.52
	980,000	–	–	–	980,000	30.10.2007	30.10.2007 – 29.10.2012	HK$2.75
	2,500,820	–	620,000	(800,820)	2,320,000			
	54,432,020	(620,000)	620,000	(22,509,020)	31,923,000			

Notes:

1. Such share options were lapsed on 6 October 2009 according to the terms of the GDC Scheme.

2. Subsequent to the year end date, such share options were lapsed on 22 March 2010 according to the terms of the GDC Scheme.

3. The share options were held by a grantee who ceased to be an employee of the Group during the year and such share options were re-classified from the category of "Employees of the Group" to "Other participants" during the year. According to the terms of the GDC Scheme, such share options shall lapse on the expiry of the three months period following the date of cessation as an employee of the Group. Accordingly, such share options were lapsed subsequent to the year end date and on 13 February 2010.

4. Subsequent to the year end date, such share options were lapsed on 4 April 2010 according to the terms of the GDC Scheme.

5. The share options were held by a grantee who resigned as a director of GDC during the year and such share options were lapsed on 5 December 2009.

SHARE OPTION SCHEMES (continued)

(c) Share option scheme of a subsidiary of the Company – GDC Tech

Each of the Company and GDC has adopted the GDC Tech Scheme by a shareholders' resolution passed at its special general meeting held on 19 September 2006.

The purpose of the GDC Tech Scheme is to enable GDC Tech to grant options to eligible participants as rewards for their contributions to GDC Tech, its subsidiaries and its holding companies (including intermediate and ultimate holding companies) (the "GDC Tech Group"). The GDC Tech Scheme will remain in force for a period of 10 years commencing on 19 September 2006, being the date of adoption of the GDC Tech Scheme, to 18 September 2016.

Under the GDC Tech Scheme, the directors of GDC Tech may, at their discretion, offer any full-time or part-time employees, executives, officers and directors (including non-executive directors and independent non-executive directors) of the GDC Tech Group and any advisors, consultants, suppliers, customers and agents to the GDC Tech Group and such other persons who the directors of GDC Tech consider, in their sole discretion, will contribute or have contributed to the GDC Tech Group, share options to subscribe for shares of GDC Tech.

The total number of shares of GDC Tech which may be issued upon exercise of all outstanding share options granted under the GDC Tech Scheme is 6,930,000 which represents approximately 2.97% of the issued share capital of GDC Tech as at the date of this annual report. The maximum number of shares of GDC Tech available for issue upon exercise of all share options which may be granted under the GDC Tech Scheme is 9,023,024, representing approximately 3.87% of the issued share capital of GDC Tech as at the date of this annual report. The total number of shares of GDC Tech issued and to be issued upon the exercise of share options granted under the GDC Tech Scheme (including exercised, cancelled and outstanding share options) to each grantee in any 12-month period up to the date of grant shall not exceed 1% of the issued share capital of GDC Tech as at the date of grant. Any further grant of share options in excess of this limit is subject to approval of shareholders of GDC and the Company respectively in general meeting. In addition, any share options granted to a substantial shareholder or an independent non-executive director of GDC or the Company, or to any of their respective associates, in excess of in aggregate 0.1% of the shares of GDC Tech in issue (based on the date of offer) within any 12-month period, are subject to approval of the shareholders of GDC and/or the Company in advance in general meetings. Share options granted to a director, chief executive, management shareholder or substantial shareholder of GDC or the Company, or to any of their respective associates, are subject to approval in advance by the independent non-executive directors of GDC and/or the Company.

SHARE OPTION SCHEMES (continued)

(c) Share option scheme of a subsidiary of the Company – GDC Tech (continued)

The period during which a share option may be exercised will be determined by the directors of GDC Tech at their absolute discretion, save that no share option may be exercised more than 10 years after it has been granted under the GDC Tech Scheme. There is no requirement that a share option must be held for any minimum period before it can be exercised but the directors of GDC Tech are empowered to impose at their discretion any such minimum period at the time of grant of any share options.

The exercise price in relation to each share option will be determined by the directors of GDC Tech at their absolute discretion and shall not be less than the nominal value of the share of GDC Tech and shall be subject to the approval of the board of directors of GDC or any committee duly constituted thereof. Each of the grantees is required to pay HK$1 as consideration for the grant of share options in accordance with the GDC Tech Scheme. The offer of share options must be accepted within 30 days from the date of the offer.

No share option was granted or cancelled in accordance with the terms of the GDC Tech Scheme during the year. Details of movements in the share options under the GDC Tech Scheme during the year are as follows:

	Options to subscribe for shares of GDC Tech						
Category or name of grantees	**At the beginning of the year**	**Exercised during the year**	**Lapsed during the year**	**At the end of the year**	**Date of grant**	**Exercise period**	**Exercise price per share**
Directors of the Company							
Cao Zhong	1,650,000	–	–	1,650,000	02.11.2007	02.11.2007 – 01.11.2012	HK$2.000
Chen Zheng	1,650,000	–	–	1,650,000	02.11.2007	02.11.2007 – 01.11.2012	HK$2.000
Leung Shun Sang, Tony	3,333[1]	–	(3,333)[2]	–	29.09.2006	29.09.2006 – 28.09.2009	HK$0.145
	1,650,000	–	–	1,650,000	02.11.2007	02.11.2007 – 01.11.2012	HK$2.000
	1,653,333	–	(3,333)	1,650,000			
	4,953,333	–	(3,333)	4,950,000			

SHARE OPTION SCHEMES (continued)

(c) Share option scheme of a subsidiary of the Company – GDC Tech (continued)

Category or name of grantees	Options to subscribe for shares of GDC Tech: At the beginning of the year	Exercised during the year	Lapsed during the year	At the end of the year	Date of grant	Exercise period	Exercise price per share
Other individual with options granted in excess of limit							
Lu Yi, Gloria	12,000,000[3]	–	(12,000,000)[4]	–	02.11.2007	02.11.2007 – 01.11.2012	HK$2.000
Employees of the Group	853,333	(320,000)	(533,333)[2]	–	29.09.2006	29.09.2006 – 28.09.2009	HK$0.145
	3,913,332	(130,000)	(3,783,332)[5]	–	05.10.2006	05.10.2006 – 04.10.2009	HK$0.145
	1,650,000	–	–	1,650,000	02.11.2007	02.11.2007 – 01.11.2012	HK$2.000
	6,416,665	(450,000)	(4,316,665)	1,650,000			
Other participants	330,000	–	–	330,000	02.11.2007	02.11.2007 – 01.11.2012	HK$2.000
	23,699,998	(450,000)	(16,319,998)	6,930,000			

Notes:

1. The number of share options granted to Mr. Leung Shun Sang, Tony on 29 September 2006 exceeded the individual limit of 1% of the shares of GDC Tech then in issue and was approved by the shareholders of GDC and the Company on 19 September 2006 respectively.

2. Such share options were lapsed on 29 September 2009 according to the terms of the GDC Tech Scheme.

3. The number of share options granted to Ms. Lu Yi, Gloria on 2 November 2007 exceeded the individual limit of 1% of the shares of GDC Tech then in issue and was approved by the shareholders of GDC and the Company on 30 October 2007 respectively.

4. The share options were held by Ms. Lu Yi, Gloria who resigned as a director of GDC during the year and such share options were lapsed on 5 September 2009.

5. A total of 1,361,666 share options were held by two grantees who ceased to be employees of the Group during the year and such share options were lapsed on 8 March 2009 and 1 September 2009 respectively; and the remaining balance of 2,421,666 share options were lapsed on 5 October 2009 according to the terms of the GDC Tech Scheme.

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

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

DISTRIBUTION RESERVES

At the end of the reporting period, the Company had distributable reserves of approximately HK$111,256,533.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 34% of the total sales for the year and the largest customer included therein amounted to approximately 10%. Purchases from the Group's five largest suppliers accounted for approximately 64% of the cost of sales for the year and the largest supplier included therein amounted to approximately 24%. None of the Directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's share capital) had any beneficial interest in the Group's five largest customers and suppliers.

CONTINUING CONNECTED TRANSACTIONS

The following continuing connected transactions were recorded during the year and up to the date of this annual report:

1. As stated in the announcement of the Company dated 3 January 2007, a tenancy agreement dated 3 January 2007 was renewed whereby Flat 1612, Block Q, Kornhill, Quarry Bay, Hong Kong with an aggregate gross floor area of approximately 756 square feet was leased by Linksky Limited, an indirect wholly-owned subsidiary of the Company, to Gold Regal Limited, a direct wholly-owned subsidiary of Shougang Concord Century Holdings Limited ("Shougang Century") which in turn was an associate of Shougang Holding, for a term of three years commenced on 1 January 2007 at a monthly rental of HK$11,800 (exclusive of rates and other charges payable to independent third parties). The residential premises was used by the senior executive of Shougang Century as quarters.

CONTINUING CONNECTED TRANSACTIONS (continued)

2. As stated in the announcement of the Company dated 12 April 2007, a master supply agreement (the "2007 Master Supply Agreement") was entered into between the Company and GDC Tech on 11 April 2007 which expired on 31 December 2009. Pursuant to the 2007 Master Supply Agreement, GDC Tech agreed to supply the Company and/or its associates with digital cinema equipment and network management and other related equipment and services. The annual cap amounts of the transactions contemplated under the 2007 Master Supply Agreement for each of the period ended 31 December 2007 and the two financial years ending 31 December 2009 would not exceed US$103,000,000, US$104,500,000 and US$106,000,000, respectively.

   As at the date of the 2007 Master Supply Agreement, GDC Tech was an indirect non-wholly owned subsidiary of the Company, in which Greater Appeal Investments Limited ("Greater Appeal") was interested as to approximately 32.5% in the share capital of GDC Tech then in issue. As Greater Appeal was ultimately beneficially wholly-owned by Mr. Li Ka-shing, who together with his associates, was interested as to approximately 11.7% in the share capital of the Company then in issue, GDC Tech was a connected person of the Company under the Listing Rules. The purchases were for the purpose of deployment of digital cinema equipment. The 2007 Master Supply Agreement and the relevant cap amounts were approved by the independent shareholders of the Company and GDC on 6 June 2007, respectively.

3. As stated in the announcement of the Company dated 23 December 2009, a master supply agreement (the "2009 Master Supply Agreement") was entered into between GDC Holdings Limited ("GDC Holdings", a wholly-owned subsidiary of GDC) and GDC Tech on 21 December 2009. Pursuant to the 2009 Master Supply Agreement, GDC Tech agreed to supply digital cinema equipment and related equipment to any subsidiaries and associates of GDC Holdings (the "Transactions"). The annual cap amounts of the Transactions contemplated under the 2009 Master Supply Agreement for each of the three financial years ending 31 December 2012 would not exceed US$106,424,000, US$110,448,000 and US$86,671,000, respectively.

   As at the date of the 2009 Master Supply Agreement, GDC Tech was an indirect non-wholly owned subsidiary of the Company, in which Greater Appeal was interested as to approximately 22.5% in the share capital of GDC Tech then in issue. As Greater Appeal was ultimately beneficially wholly-owned by Mr. Li Ka-shing, who together with his associates, was interested as to approximately 11.6% in the share capital of the Company then in issue, GDC Tech was a connected person of the Company and the Transactions between GDC Tech and GDC Holdings and/or its subsidiaries and associates constitute continuing connected transactions for the Company under the Listing Rules. The purchases were for the purpose of deployment of digital cinema networks in Asia (outside of the People's Republic of China). The 2009 Master Supply Agreement and the relevant cap amounts were approved by the independent shareholders of the Company on 29 January 2010.

CONTINUING CONNECTED TRANSACTIONS (continued)

The continuing connected transactions as set out in 1 and 2 above which took place during the year have been reviewed by the Independent Non-executive Directors of the Company who have confirmed that:

(i) the transactions were entered into in the ordinary and usual course of business of the relevant members of the Group;

(ii) the transactions were conducted on normal commercial terms, or if there was no available comparison, on terms that were no less favourable than terms available to or from (as the case may be) independent third parties; and

(iii) the transactions were entered into in accordance with the relevant agreements governing such transactions on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditor of the Company has provided a letter to the Board of Directors of the Company confirming the matters stated in Rule 14A.38 of the Listing Rules in respect of the continuing connected transactions as set out in 1 and 2 above which took place during the year.

As far as the transactions took place during the year as set out in note 49(a) to the consolidated financial statements under the heading of "Related Party Transactions" are concerned, the transaction as set out in note (i) was continuing connected transaction which had been previously disclosed by way of announcement by the Company. The transactions as set out in notes (ii) to (iii) were connected transactions which were exempt from any disclosure and shareholders' approval requirements under the Listing Rules.

As far as the transactions set out in note 49(b) to the consolidated financial statements under the heading of "Related Party Transactions" are concerned, the remuneration of the Directors as determined pursuant to the service contracts entered into between the Directors and the Group and the securities issued and to be issued upon exercise of options granted to the Directors under the share option scheme of the Company were connected transactions which were exempt from any disclosure and shareholders' approval requirements under the Listing Rules.

The remaining transactions which took place during the year as set out under the heading of "Related Party Transactions" did not constitute connected transactions under the Listing Rules.

DISCLOSURE UNDER RULE 13.18 OF THE LISTING RULES

Under the facility agreement dated 28 August 2008 (the "Facility Agreement") entered into between China Construction Bank (Asia) Corporation Limited (the "Bank") as lender, SCG Finance Corporation Limited ("SCG Finance"), a wholly-owned subsidiary of the Company, as borrower, Shougang Holding and the Company as guarantors in relation to a revolving loan facility of up to HK$92,000,000 (the "Facility") made available by the Bank to SCG Finance, each of the following will constitute a covenant and non-compliance with any covenant will constitute an event of default upon which the Facility will, among others, become immediately due and payable: (i) Shougang Holding shall directly or indirectly own 35% or more of all the issued share capital of the Company; (ii) the consolidated tangible net worth of Shougang Holding shall not be less than HK$2 billion; (iii) the total liabilities of Shougang Holding shall not exceed 200 per cent. of its consolidated tangible net worth; and (iv) the consolidated EBITDA (including share of results of associates) of Shougang Holding shall not be less than 3 times interest expenses. The final maturity date of the Facility falls on the date being 24 months after the date of the Facility Agreement.

CORPORATE GOVERNANCE

The Company's corporate governance practices are set out in the Corporate Governance Report on pages 21 to 35 of this annual report.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the end of the reporting period are set out in note 48 to the consolidated financial statements.

AUDITOR

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

By Order of the Board
Cao Zhong
Vice Chairman and Managing Director

Hong Kong, 15 April 2010

Deloitte.
德勤

TO THE MEMBERS OF SHOUGANG CONCORD GRAND (GROUP) LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Shougang Concord Grand (Group) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 61 to 160, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

AUDITOR'S RESPONSIBILITY (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
15 April 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended 31 December 2009

	NOTES	2009 HK$'000	2008 HK$'000
Revenue	7	**494,541**	308,181
Cost of sales		**(358,142)**	(262,550)
Gross profit		**136,399**	45,631
Interest income from entrusted loan receivables		**5,686**	3,674
Other income	9	**26,967**	12,035
Distribution costs and selling expenses		**(12,674)**	(14,240)
Administrative expenses		**(118,286)**	(128,233)
Increase (decrease) in fair value of investment properties		**24,961**	(15,960)
Changes in fair value of held-for-trading investments		**10,436**	(30,011)
Finance costs	10	**(3,639)**	(6,046)
Share of loss of associates		**(287)**	(857)
Other expense	11	**–**	(22,202)
Discount on acquisition of additional interest in a subsidiary	12	**2,154**	–
Loss on dilution of interests in a subsidiary	13	**(165)**	–
Profit (loss) before tax		**71,552**	(156,209)
Income tax expense	14	**(13,013)**	(1,540)
Profit (loss) for the year	15	**58,539**	(157,749)
Other comprehensive income:			
Exchange differences on translation of foreign operations		**(55)**	34,468
Total comprehensive income (expense) for the year		**58,484**	(123,281)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended 31 December 2009

	NOTES	2009 HK$'000	2008 HK$'000
Profit (loss) for the year attributable to:			
Owners of the Company		**38,696**	(119,446)
Minority interests		**19,843**	(38,303)
		58,539	(157,749)
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**38,677**	(96,095)
Minority interests		**19,807**	(27,186)
		58,484	(123,281)
Earnings (loss) per share	17		
Basic and diluted		**HK3.36 cents**	(HK10.38 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	NOTES	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	18	**144,696**	60,510
Prepaid lease payments	19	**5,799**	7,512
Investment properties	20	**152,450**	125,200
Goodwill	21	**52,935**	52,935
Intangible asset	23	**–**	244,111
Interests in associates	24	**21,569**	21,856
Other receivables	25	**20,657**	–
Advances	26	**–**	126,547
Finance lease receivables	27	**429,347**	827,138
Entrusted loan receivables	28	**227**	25,499
Restricted bank deposits	33	**56,958**	66,069
Pledged bank deposit	33	**1,956**	665
Available-for-sale investments	36	**37,477**	–
		924,071	1,558,042
Current assets			
Inventories	29	**34,947**	21,904
Production work in progress	30	**–**	3,875
Amounts due from customers for contract work	31	**5,795**	16,935
Finance lease receivables	27	**464,519**	463,170
Entrusted loan receivables	28	**25,873**	26,879
Trade receivables	32	**41,477**	20,524
Prepayments, deposits and other receivables	33	**93,746**	22,957
Prepaid lease payments	19	**125**	156
Convertible loan receivable	34	**119,255**	–
Held-for-trading investments	35	**25,420**	85,668
Pledged bank deposit	33	**–**	2,808
Bank balances and cash	33	**372,847**	195,381
		1,184,004	860,257
Current liabilities			
Amounts due to customers for contract work	31	**366**	1,763
Trade payables	37	**32,969**	8,117
Other payables and accruals		**58,316**	53,492
Income received in advance	38	**43,427**	38,108
Rental and management fee deposits received		**1,248**	1,189
Amount due to an associate	39	**20,874**	–
Tax liabilities		**19,526**	9,506
Security deposits received		**50,168**	–
Secured bank borrowings – due within one year	40	**539,326**	427,048
		766,220	539,223
Net current assets		**417,784**	321,034
Total assets less current liabilities		**1,341,855**	1,879,076

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	NOTES	2009 HK$'000	2008 HK$'000
Capital and reserves			
Share capital	42	**11,514**	11,514
Retained earnings		**438,708**	382,689
Other reserves		**158,773**	157,441
Equity attributable to owners of the Company		**608,995**	551,644
Share options reserve of subsidiaries		**33,120**	54,603
Minority interests		**255,257**	264,927
Total equity		**897,372**	871,174
Non-current liabilities			
Income received in advance	38	**7,754**	16,393
Secured bank borrowings – due after one year	40	**425,053**	930,248
Security deposits received		**10,000**	60,168
Deferred tax liabilities	41	**1,676**	1,093
		444,483	1,007,902
Total equity and liabilities		**1,341,855**	1,879,076

The consolidated financial statements on pages 61 to 160 were approved and authorised for issue by the Board of Directors on 15 April 2010 and are signed on its behalf by:

CAO ZHONG
DIRECTOR

CHEN ZHENG
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2009

	Share capital HK$'000	Share premium HK$'000	Capital contribution reserve HK$'000 (Note (a))	Contributed surplus reserve HK$'000 (Note (b))	Translation reserve HK$'000	Share options reserve HK$'000	Statutory reserve HK$'000 (Note (c))	Special reserve HK$'000 (Note (d))	Retained earnings HK$'000	Attributable to owners of the Company HK$'000	Share options reserve of a subsidiary HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2008	11,504	425,259	445	2,135	17,502	12,794	–	(23,496)	189,671	635,814	55,249	277,293	968,356
Exchange differences on translation of foreign operations	–	–	–	–	23,351	–	–	–	–	23,351	–	11,117	34,468
Loss for the year	–	–	–	–	–	–	–	–	(119,446)	(119,446)	–	(38,303)	(157,749)
Total comprehensive income (expense) for the year	–	–	–	–	23,351	–	–	–	(119,446)	(96,095)	–	(27,186)	(123,281)
Recognition of share-based payments	–	–	–	–	–	10,869	–	–	–	10,869	–	–	10,869
Exercise of share options	10	559	–	–	–	(159)	–	–	–	410	–	–	410
Reduction of share premium (Note (e))	–	(425,259)	–	425,259	–	–	–	–	–	–	–	–	–
Elimination of accumulated losses (Note (e))	–	–	–	(311,818)	–	–	–	–	311,818	–	–	–	–
Cancellation of share options granted by subsidiaries	–	–	–	–	–	–	–	–	646	646	(646)	–	–
Capital contribution from a minority shareholder	–	–	–	–	–	–	–	–	–	–	–	14,820	14,820
At 31 December 2008 and 1 January 2009	11,514	559	445	115,576	40,853	23,504	–	(23,496)	382,689	551,644	54,603	264,927	871,174
Exchange differences on translation of foreign operations	–	–	–	–	(19)	–	–	–	–	(19)	–	(36)	(55)
Profit for the year	–	–	–	–	–	–	–	–	38,696	38,696	–	19,843	58,539
Total comprehensive (expense) income for the year	–	–	–	–	(19)	–	–	–	38,696	38,677	–	19,807	58,484
Exercise of share option of a subsidiary	–	–	–	–	–	–	–	–	–	–	(6)	236	230
Transfer to statutory reserve	–	–	–	–	–	–	2,879	–	(5,682)	(2,803)	–	2,803	–
Lapse/cancellation of share options	–	–	–	–	–	(1,528)	–	–	1,528	–	–	–	–
Cancellation of share options granted by subsidiaries	–	–	–	–	–	–	–	–	21,477	21,477	(21,477)	–	–
Capital contribution from a minority shareholder	–	–	–	–	–	–	–	–	–	–	–	5,816	5,816
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(38,332)	(38,332)
At 31 December 2009	11,514	559	445	115,576	40,834	21,976	2,879	(23,496)	438,708	608,995	33,120	255,257	897,372

Notes:

(a) Capital contribution reserve represents accumulated effect of imputed interest on amount due to other related party.

(b) The contributed surplus reserve represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in 1991 over the nominal value of the Company's shares issued in exchange, and the transfers as mentioned in note (e) below.

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

(d) Special reserve represents the difference between the fair value and the carrying amount of the net assets attributable to the additional interest in a subsidiary being acquired from minority shareholders during the year ended 31 December 2008.

(e) A special resolution was passed by shareholders of the Company at the special general meeting of the Company held on 6 June 2008 and completed thereafter that an amount of approximately HK$425,259,000 standing to the credit of the share premium account of the Company as at 31 December 2007 be reduced, with the credit arising there from being transferred to the contributed surplus reserve of the Company. Upon the said transfer becoming effective, an amount of approximately HK$311,818,000 standing to the credit of the contributed surplus reserve of the Company has been applied to eliminate the accumulated losses of the Company as at 31 December 2007. The Company has complied with the requirements of section 46(2) of The Companies Act 1981 of Bermuda (as amended). Details of which were set out in the circular of the Company dated 9 May 2008.

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2009

	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES		
Profit (loss) before tax	**71,552**	(156,209)
Adjustments for:		
Depreciation of property, plant and equipment	**8,328**	7,857
Allowance for inventories	**6,368**	1,031
Allowance for production work in progress	**4,811**	–
Interest expenses (included in finance costs and cost of sales)	**73,404**	112,495
Allowance for bad and doubtful debts, net	**3,309**	6,386
Amortisation of intangible asset	**633**	28,491
Share of loss of associates	**287**	857
Loss on dilution of interest in a subsidiary	**165**	–
Amortisation of prepaid lease payments	**148**	161
Loss on disposal of property, plant and equipment	**21**	50
Decrease (increase) in fair value of investment properties	**(24,961)**	15,960
Changes in fair value of held-for-trading investments	**(10,436)**	30,011
Interest income	**(17,335)**	(5,190)
Interest income from entrusted loan receivables	**(5,686)**	(3,674)
Gain on disposal of intangible asset	**(2,543)**	(104)
Discount on acquisition of additional interest in a subsidiary	**(2,154)**	–
Dividend income from held-for-trading investments	**(91)**	(3,118)
Share-based payments expenses	**–**	10,869
Impairment loss in respect of goodwill	**–**	10,397
Operating cash flows before movements in working capital	**105,820**	56,270
(Increase) decrease in inventories	**(19,411)**	4,043
(Increase) decrease in production work in progress	**(936)**	7,965
Decrease (increase) in amounts due from customers for contract work	**13,719**	(13,549)
Decrease in finance lease receivables	**396,442**	170,090
Increase in trade receivables	**(24,271)**	(7,314)
(Increase) decrease in prepayments, deposits and other receivables	**(87,689)**	20,985
Decrease (increase) in held-for-trading investments	**70,684**	(85,275)
Increase in amounts due to customers for contract work	**1,182**	338
Increase in trade payables	**24,852**	2,971
Increase in other payables and accruals	**4,823**	7,707
Increase in rental and management fee deposits received	**59**	145
(Decrease) increase in income received in advance	**(3,320)**	8,172
Decrease in security deposits received	**–**	(17,954)
Cash generated from operations	**481,954**	154,594
Dividend received from held-for-trading investments	**91**	3,118
Income tax paid	**(2,410)**	(848)
Interest paid	**(73,404)**	(112,495)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**406,231**	44,369

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2009

	2009 HK$'000	2008 HK$'000
INVESTING ACTIVITIES		
Proceeds from disposal of intangible asset, net of transaction costs	**249,148**	1,250
Decrease (increase) in entrusted loan receivables	**20,592**	(52,378)
Decrease in restricted bank deposits	**9,111**	10,976
Interest received	**10,542**	5,190
Decrease in pledged bank deposits	**1,517**	5,379
Proceeds from disposal of property, plant and equipment	**340**	–
Purchases of property, plant and equipment	**(98,750)**	(20,670)
Investment in a convertible note receivable	**(45,454)**	–
Acquisition of additional interest in a subsidiary	**(9,949)**	–
Investment in available-for-sale investments	**(5,341)**	–
Advances to a third party	**–**	(126,547)
Acquisition of intangible asset	**–**	(548)
Interest received from entrusted loan receivables	**5,686**	3,674
Investment in an associate	**–**	(21,084)
Prepaid lease payments	**–**	(87)
Repayment from associates	**–**	1,053
NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES	**137,442**	(193,792)
FINANCING ACTIVITIES		
Repayment of bank loans	**(702,008)**	(440,820)
New bank loans raised	**309,091**	296,773
Advance from an associate	**20,874**	–
Capital contribution from a minority shareholder	**5,816**	14,820
Proceeds from issue of shares of a subsidiary upon exercise of its share options	**65**	–
Issue of shares from exercise of share options	**–**	410
Repayment to related parties	**–**	(455)
NET CASH USED IN FINANCING ACTIVITIES	**(366,162)**	(129,272)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**177,511**	(278,695)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**195,381**	463,561
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(45)**	10,515
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**372,847**	195,381

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, which is defined under the Rules Governing the Listing of Securities on the Stock Exchange as a person who is entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of the issuer, is Shougang Holding (Hong Kong) Limited ("Shougang Holding"), a company incorporated in Hong Kong with limited liability. 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 50.

The functional currency of the Company is Renminbi. The consolidated financial statements are presented in Hong Kong dollars for the convenience of the readers.

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

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

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

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

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

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments and changes in measurement of segment profit or loss, segment assets and segment liabilities (see note 8).

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

Improving Disclosures about Financial Instruments

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

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

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

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

[1] Effective for annual periods beginning on or after 1 July 2009.

[2] Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.

[3] Effective for annual periods beginning on or after 1 January 2010.

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

[5] Effective for annual periods beginning on or after 1 July 2010.

[6] Effective for annual periods beginning on or after 1 January 2011.

[7] Effective for annual periods beginning on or after 1 January 2013.

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

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

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

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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.

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

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 statement of comprehensive income 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Acquisition of additional interest in a subsidiary

Goodwill arising on acquisition of additional interest in a subsidiary represents the excess of the cost of the acquisition over the fair value of the net assets attributable to the additional interest in a subsidiary. If, after reassessment, the fair value of the net assets attributable to the additional interest in a subsidiary by the Group exceeds the cost of the acquisition, the excess is recognised immediately in profit and loss. The difference between the fair value and the carrying value of the underlying assets and liabilities attributable to the additional interest in a subsidiary is debited directly to special reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on an acquisition of a subsidiary, 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, 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 business, 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 business, at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

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 profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position 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 Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

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.

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.

Interest income from the finance leasing business and other financial assets 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 finance lease business and other financial assets to that asset's net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from sales of goods is recognised when goods are delivered and title has passed.

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

Training fee income is recognised over the period of the training course on a straight-line basis. Unearned training fee income received is recorded as income received in advance.

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

Royalty income from share of box office receipts is recognised when the digital motion pictures are exhibited using the digital cinema equipment sold by the Group and the right to receive certain percentage of the relevant box office receipts has been established.

Receipts from exhibition of digital motion pictures are recognised when the motion pictures are exhibited.

Technical service income and management fee income are recognised when services are provided.

Revenue from provision of assembly and integration services in connection with deployment of digital cinema equipments under Virtual Print Fee ("VPF") Arrangement (details of which are set out in note 25) is recognised when the services have been rendered and the equipments are installed and ready for their intended use.

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

Deposits received from sale of goods or services to be provided prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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 end of the reporting period, 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.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, 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 statement of financial position under trade receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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 profit or loss in the period in which the item is derecognised.

If an item of property, plant and equipment becomes an investment of property because its use has charged as evidenced by end of owner-occupation, any excess of fair value over the carrying amount of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the revaluation reserve will be transferred directly to retained profit.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and 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 profit or loss in the period in which the item is derecognised.

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.

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 profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense 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.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, interest in leasehold land is accounted for as operating leases and amortised over the lease term on a straight-line basis except for those which are classified and accounted as investment properties under the fair value model.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the end of reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

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.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's entities are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, 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 in other comprehensive income and accumulated in equity (the translation reserve).

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 end of the reporting period. Exchange differences arising are recognised in the translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognised as income received in advance in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets. Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefits costs

Payments to the state-managed retirement benefit schemes and Mandatory Provident Fund Scheme are charged as expenses when employees have rendered service entitling them to the contributions.

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 statement of comprehensive income 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 end of the reporting period.

Deferred tax is recognised on temporary 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. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period 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, based on tax and tax law rates that have been enacted or substantially enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would flow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in the profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and 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 (see accounting policy on impairment loss on financial assets below).

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss in the period when the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Inventories

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Production work in progress

Production work in progress is stated at the lower of cost and net realisable value. Costs include all direct costs associated with the production of films or television programme. The cost associated with the production of films and programme would be transferred to inventories upon the completion of films or television programme.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are 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 ("FVTPL")) 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 FVTPL are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories: including financial assets at FVTPL, 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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments, other than financial assets classified at FVTPL, of which interest income is included in net gains or losses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Financial Assets at fair value through profit or loss

Financial assets at FVTPL represents financial assets held-for-trading.

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including convertible loan receivable, entrusted loan receivables, trade receivables, other receivables, amount due from an associate, restricted bank deposits, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss of financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

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 the end of the reporting period (see accounting policy on impairment loss of financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period given and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount 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 loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets, with the exception of trade receivables, finance lease receivables and entrusted loan receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable, finance lease receivable or entrusted loan receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent 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.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fee paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade payables, other payables, loan to an associate and secured bank 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.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

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 in other comprehensive income is recognised in profit or loss.

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

Equity settled share-based payment transactions

Share options granted to the Directors and 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). For share options which are vested at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss with a corresponding adjustment to share options 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 after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated profits or losses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity settled share-based payment transactions (continued)

Share options granted to the Directors and employees of the Group (continued)

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.

The financial impact of share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in the profit or loss in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

Share options granted to other participants

Share options issued in exchange for goods or services are measured at the fair value of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the services received are recognised as expenses, with a corresponding increase in equity (share option reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss, if any. 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. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

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, unless the relevant asset is carried at revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Provision for litigations

The management of the Group monitor any litigation against the Group closely. Provision for the litigations is made based on the estimates of the possible outcome and liability of the Group. As at 31 December 2009 and 2008, there is no foreseeable financial impact to the Group and no provision for litigations has been made. Details are set out in note 44.

Estimated impairment of finance lease receivables

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

As at 31 December 2009, the carrying amount of finance lease receivables is approximately HK$893,866,000 (2008: HK$1,290,308,000).

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. Where the net realisable value is less than the cost, a material impairment loss may arise. The Group has made an allowance for production work in progress of HK$4,811,000 for the year ended 31 December 2009 (2008: Nil) as the management estimates the net realisable value for such production work in progress was nil as at 31 December 2009 (2008: HK$3,875,000).

5. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2009 HK$'000	2008 HK$'000
Financial assets		
Financial assets at FVTPL		
Held-for-trading investments	**25,420**	85,668
Loan and receivables (including cash and cash equivalents)	**708,955**	355,172
Available-for-sale investments	**37,477**	–
Finance lease receivables	**893,866**	1,290,308
Financial liabilities		
Amortised cost	**1,101,444**	1,458,214

5. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and polices

The Group's major financial instruments include available-for-sale investments, convertible loan receivable, finance lease receivables, entrusted loan receivables, trade receivables, other receivables, held-for-trading investments, restricted bank deposits, pledged bank deposits and bank balances, amount due from an associate, secured bank borrowings, trade payables and other payables. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. 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.

Market risk

(i) Currency risk

The normal operations and investments of the Group are mainly in Hong Kong and the People's Republic of China ("the PRC", for the purpose of this consolidated financial statement, does not include Hong Kong, Macau and Taiwan), with revenue and expenditure denominated in Hong Kong dollars, Renminbi and United States dollars which are primarily transacted using functional currencies of the respective group entities. The Group is mainly exposed to currency risk in relation to Hong Kong dollar (HK$) denominated secured bank borrowings as at 31 December 2009 and 2008. The Directors believe that the Group does not have significant foreign exchange exposures. However, if necessary, the Group will consider using forward exchange contracts to hedge against foreign currency exposures.

Sensitivity analysis

The sensitivity analysis below has been determined based on 5% (2008:5%) increase and decrease in Renminbi, the functional currency of the entity against HK$.

For a 5% (2008:5%) weakening of HK$ against Renminbi, there would be an increase in post-tax profit by HK6,384,000 (2008: post-tax loss would decrease by HK$6,531,000).

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to its fixed-rate convertible loan receivable as at 31 December 2009 as disclosed in note 34, certain entrusted loan receivables for the year ended 31 December 2009 and 2008, as disclosed in note 28.

5. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and polices (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

The Group is exposed to cash flow interest rate risk due to the fluctuation of market interest rate on certain other receivables as disclosed in note 25, variable-rate finance lease receivables as disclosed in note 27, certain entrusted loan receivable as disclosed in note 28, bank balances and secured variable-rate bank borrowings as disclosed in note 40. It is the Group's policy to keep majority of its finance lease receivables, entrusted loan receivable and borrowings at floating rates of interest so as to minimise the fair value interest rate risk.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the People's Bank of China Renminbi Lending Rate ("PBC Rate") arising from the Group's variable-rate finance lease receivables, entrusted loan receivables, other receivable and secured bank borrowings. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below has been determined based on the exposure to interest rates for variable-rate finance lease receivables, entrusted loan receivable, other receivables, secured bank borrowings and bank balances at the end of reporting period. The analysis is prepared assuming these outstanding balances at the end of the reporting period was outstanding for the whole year. A 50 basis points (2008: 100 basis points) increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2008: 100 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2009 would increase/decrease by approximately HK$1,721,000 (2008: post-tax loss would increase/decrease by approximately HK$8,921,000).

5. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and polices (continued)

Market risk (continued)

(iii) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities classified as held-for-trading investments. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments of entities operating in the PRC which are quoted in stock exchanges in the PRC and Hong Kong. The Group currently does not use any derivative contracts to hedge its exposure to other price risk. However, the management has appointed a team to monitor the price risk and will consider hedging the risk exposure should that needs arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date.

If the prices of the respective equity instruments had been 10% (2008: 10%) higher/lower, post-tax profit for the year ended 31 December 2009 would increase/decrease by approximately HK$2,123,000 (2008: post-tax loss would decrease/increase by approximately HK$7,153,000) as a result of the changes in fair value of held-for-trading investments.

5. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and polices (continued)

Credit risk

As at 31 December 2009 and 2008, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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 at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The Group's credit risk is also attributable to convertible loan receivable due from a third party as disclosed in note 34. The management of the Group reviews the recoverability of these amounts at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regards, the Directors consider that the Group's credit risk is significantly reduced. Furthermore, the Group received approximately HK$113.6 million from the settlement of part of the convertible loan receivable subsequent to the end of the reporting period.

Before accepting any new finance lease and entrusted loan borrower, the Group assesses the credit quality of each potential finance lease or entrusted loan borrower and defined limits for each finance lease borrower or entrusted loan borrower. The Group also demands certain finance lease borrowers to place security deposits with the Group at the time the finance lease arrangement is entered into. In addition, the Group has reviewed the repayment history of finance lease payments from each finance lease borrower or repayment from each entrusted loan borrower with reference to the repayment schedule from the date of finance lease or entrusted loan was initially granted up to the reporting date to determine the recoverability of a finance lease receivable and entrusted loan receivable.

5. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and polices (continued)

Credit risk (continued)

The credit risk on restricted bank deposits, pledged bank deposits and bank balances 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 PRC, which accounted for 72% (2008: 81%) of the total trade receivables as at 31 December 2009, 100% (2008: 100%) of the financial lease receivables as at 31 December 2009 and 100% (2008: 100%) of the entrusted loan receivables as at 31 December 2009.

The Group has concentration of credit risk on its trade receivables as 26% (2008: 8%) and 62% (2008: 33%) of the total trade receivables was due from the Group's largest customer and the five largest customers, respectively. The customers are mainly engaged in the media business.

The Group also has concentration of credit risk from finance leasing business as 35% (2008: 35%) and 94% (2008: 72%) of the total finance lease receivables was due from the Group's largest finance lease borrower and the five largest finance lease borrowers, respectively. The Group's five largest finance lease borrowers are spread across diverse industries such as airline and utility industries. Of the five finance lease borrowers, four of them are listed or group companies of listed companies located in the PRC. Over 94% (2008: 70%) of the five largest finance lease customers have good repayment history with no record of late payment.

The Group also has concentration of credit risk from entrusted loan business as 89% (2008: 44%) and 100% (2008: 90%) of the total entrusted loan receivables was due from the Group's largest entrusted loan borrower and two entrusted loan borrowers respectively. The customers are from different industry sectors.

The Group has a concentration of credit risk arising from the convertible loan receivable due from a single counterparty as disclosed in note 34.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings from time to time.

5. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and polices (continued)

Liquidity risk (continued)

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayments term. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted cash flows are estimated by using interest rate at the end of reporting period.

Liquidity table

	Weighted average effective interest rate %	Less than 1 month HK$'000	1 – 3 months HK$'000	3 months to 1 year HK$'000	1 – 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows as at 31.12.2009 HK$'000	Carrying amount at 31.12.2009 HK$'000
Non-derivative financial liabilities								
Trade payables	–	13,273	17,880	1,816	–	–	32,969	32,969
Other payables	–	2,599	2,634	16,573	–	–	21,806	21,806
Security deposits received	–	3,977	45,455	736	10,000	–	60,168	60,168
Rental and management fee deposits received	–	–	–	1,248	–	–	1,248	1,248
Amount due to an associate	–	–	–	20,874	–	–	20,874	20,874
Secured bank borrowings	7	1,914	257,280	293,058	417,628	51,984	1,021,864	964,379
		21,763	323,249	334,305	427,628	51,984	1,158,929	1,101,444

	Weighted average effective interest rate %	Less than 1 month HK$'000	1 – 3 months HK$'000	3 months to 1 year HK$'000	1 – 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows as at 31.12.2008 HK$'000	Carrying amount at 31.12.2008 HK$'000
Non-derivative financial liabilities								
Trade payables	–	4,929	1,639	1,549	–	–	8,117	8,117
Other payables	–	8,480	14,208	8,756	–	–	31,444	31,444
Security deposits received	–	–	–	–	60,168	–	60,168	60,168
Rental and management fee deposits received	–	–	–	1,189	–	–	1,189	1,189
Secured bank borrowings	8	20,649	97,711	317,229	997,239	52,976	1,485,804	1,357,296
		34,058	113,558	328,723	1,057,407	52,976	1,586,722	1,458,214

The amounts scheduled above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

5. FINANCIAL INSTRUMENTS (continued)

c. Fair value

The fair value of financial assets and financial liabilities is determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Directors consider that the carrying amounts of financial assets and financial liabilities in the consolidated financial statements approximate their fair values.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2009			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets at FVTPL				
Held-for-trading investments	**25,420**	**–**	**–**	**25,420**
Available-for-sale investments	**–**	**–**	**32,136**	**32,136**

There were no transfers between Level 1 and 2 in the current year.

There were no transfer into or out of Level 3 and there was no gain or loss recognised in profit or loss or other comprehensive income for the year.

6. CAPITAL RISK MANAGEMENT

The Group's objectives to manage its capital are to ensure that entities of the Group will be able to continue as a going concern while maximising the return to shareholders, to support the Group's stability and growth, and to strengthening the Group's financial management capability. The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group consists of net debt, which includes borrowings disclosed in note 40 net of restricted bank deposits, pledged bank deposits, bank balances and cash, and total equity.

The Directors review the capital structure regularly and manage its capital structure to ensure an optimal capital structure and shareholders' returns, taking into consideration the future capital requirements of the Group, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Directors monitor capital mainly using net debt to total equity ratio and current ratio. These ratios as at 31 December 2009 and 2008 were as follows:

	2009	2008
	HK$'000	HK$'000
Net debt [(1)]	**532,618**	1,092,373
Total equity [(2)]	**897,372**	871,174
Net debt to total equity ratio (%)	**59**	125
Current assets	**1,184,004**	860,257
Current liabilities	**766,220**	539,223
Current ratio (%)	**155**	160

The Directors considered that the Group maintained healthy capital as at 31 December 2009 as the Group had excess of current assets over current liabilities.

Notes:

(1) Net debt equals borrowings less restricted bank deposits, pledged bank deposits and bank balances and cash.

(2) Total equity equals to all capital and reserves of the Group.

7. REVENUE

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

	2009 **HK$'000**	2008 HK$'000
Sales of goods	**286,932**	51,984
Finance lease income	**102,929**	128,467
Revenue from contracts for CG creation and production	**55,558**	42,542
Training fee	**19,031**	14,420
Technical service income	**13,526**	2,652
Property leasing and management fee income	**6,318**	6,702
Service income from deployment of digital cinema network	**4,703**	–
Films and television programme distribution income	**2,177**	52,832
Receipts from exhibition of digital motion pictures	**1,454**	3,024
Rental income from equipment leasing	**1,343**	40
Royalty income from share of box office receipts	**570**	5,518
	494,541	308,181

8. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM") in order to allocate resources to segments and to assess its performance. In contrast, the predecessor Standard (HKAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments.

In prior years, segment information reported externally was analysed on five operating divisions (i.e. property leasing and building management services, digital content distribution and exhibitions, CG creation and films and television programme production, CG training courses and finance leasing). However, information reported to the CODM, for the purposes of resources allocation and assessment of performance is analysed further on each sub-group level. The Group's operating and reportable segments under HKFRS 8 are therefore classified into eight operating divisions as follows:

- Property leasing and building management services

- Digital content distribution and exhibitions – (i) sales of digital cinema equipments; (ii) provision of technical service; (iii) leasing of digital cinema equipments; and (iv) holding of contractual rights to share box office receipts (note 23)

8. SEGMENT INFORMATION (continued)

- Deployment of digital cinema network in Asia (a new division in 2009) – provision of assembly and integration services
- CG creation and production – CG production and exhibition of motion pictures
- CG training courses – provision of CG and animation training
- Films and television programme production – distribution of films and television programme
- Finance leasing – leasing income
- Assets management – asset management services income (No income derived in 2009 and 2008)

As a result, following the adoption of HKFRS 8, the identification of the Group's reportable segments has changed.

Segment revenue and results

Information regarding these segments is reported below. Amounts reported for the prior year have been restated to confirm the requirement of HKFRS 8.

For the year ended 31 December 2009

	Property leasing and building management services HK$'000	Digital content distribution and exhibitions HK$'000	Deployment of digital cinema network in Asia HK$'000	CG creation and production HK$'000	CG training courses HK$'000	Films and television programme production HK$'000	Finance leasing HK$'000	Assets management HK$'000	Consolidated HK$'000
Segment revenue from external customers	6,318	302,371	4,703	57,012	19,031	2,177	102,929	–	494,541
Segment result	30,108	46,225	845	739	5,117	(14,199)	28,863	5,821	103,519
Investment income									5,659
Central administration costs									(43,971)
Changes in fair value of held-for-trading investments									10,436
Finance costs									(3,639)
Share of loss of an associate									(287)
Loss on dilution of interest in a subsidiary									(165)
Profit before tax									71,552

8. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

For the year ended 31 December 2008

	Property leasing and building management services HK$'000	Digital content distribution and exhibitions HK$'000	CG creation and production HK$'000	CG training courses HK$'000	Films and television programme production HK$'000	Finance leasing HK$'000	Assets management HK$'000	Consolidated HK$'000
Segment revenue from external customers	6,702	60,194	45,566	14,420	52,832	128,467	–	308,181
Segment result	(10,883)	(77,108)	5,121	2,510	(4,346)	20,369	(7,427)	(71,764)
Investment income								5,751
Central administration costs								(53,282)
Changes in fair value of held-for-trading investments								(30,011)
Finance costs								(6,046)
Share of loss of an associate								(857)
Loss before tax								(156,209)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment result represents the profit earned or loss incurred by each segment without allocation of investment income, central administration costs, changes in fair value of held-for-trading investments, finance costs, share of loss of an associate and loss on dilution of interest in a subsidiary. This is the measure reported to the CODM of the Company for the purposes of resources allocation and assessment of segment performance.

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

8. SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

At 31 December 2009

	Property leasing and building management services HK$'000	Digital content distribution and exhibitions HK$'000	Deployment of digital cinema network in Asia HK$'000	CG creation and production HK$'000	CG training courses HK$'000	Films and television programme production HK$'000	Finance leasing HK$'000	Assets management HK$'000	Consolidated HK$'000
Assets									
Segment assets	157,627	172,045	26,063	192,276	22,694	4,324	1,168,536	194,805	1,938,370
Interests in associates									21,569
Held-for-trading investments									25,420
Convertible loan receivable									119,255
Corporate assets									3,461
Consolidated total assets									2,108,075
Liabilities									
Segment liabilities	2,867	85,814	–	15,874	11,238	3,956	880,726	978	1,001,453
Amount due to an associate									20,874
Tax liabilities									19,526
Secured bank borrowings									163,151
Corporate liabilities									5,699
Consolidated total liabilities									1,210,703

8. SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

At 31 December 2008

	Property leasing and building management services HK$'000	Digital content distribution and exhibitions HK$'000	CG creation and production HK$'000	CG training courses HK$'000	Firms and television programme production HK$'000	Finance leasing HK$'000	Assets management HK$'000	Consolidated HK$'000
Assets								
Segment assets	146,225	374,957	23,883	4,267	27,746	1,577,527	144,307	2,298,912
Interests in associates								21,856
Held-for-trading investments								85,668
Corporate assets								11,863
Consolidated total assets								2,418,299
Liabilities								
Segment liabilities	3,194	32,253	16,921	4,864	12,048	1,278,449	6,329	1,354,058
Secured bank borrowings								171,199
Tax liabilities								9,506
Corporate liabilities								12,362
Consolidated total liabilities								1,547,125

For the purpose of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than interests in associates, convertible loan receivable, held-for-trading investments and corporate assets.

- all liabilities are allocated to reportable segments other than tax liabilities, secured bank borrowings and corporate liabilities.

8. SEGMENT INFORMATION (continued)

Other segment information

For the year ended 31 December 2009

	Property leasing and building management services HK$'000	Digital content distribution and exhibitions HK$'000	Deployment of digital cinema network in Asia HK$'000	CG creation and production HK$'000	CG training courses HK$'000	Films and television programme production HK$'000	Finance leasing HK$'000	Assets management HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amount included in the measure of segment profit or loss or segment assets:										
Additions to non-current assets (Note)	–	2,462	–	93,370	2,849	6	–	39	24	98,750
Depreciation of property, plant and equipment	14	1,749	3	2,532	1,383	292	408	964	983	8,328
Reversal of doubtful debts	–	–	–	(227)	–	–	–	–	–	(227)
Allowance for bad and doubtful debts	–	–	–	–	–	3,536	–	–	–	3,536
Allowance for inventories	–	3,581	–	–	–	2,787	–	–	–	6,368
Allowance for production work in progress	–	–	–	–	–	4,811	–	–	–	4,811
Amortisation of intangible asset (included in cost of sales)	–	633	–	–	–	–	–	–	–	633
Amortisation of prepaid lease payments	23	–	–	125	–	–	–	–	–	148
Discount on acquisition of additional interest in a subsidiary	–	–	–	–	–	–	2,154	–	–	2,154
Gain on disposal of intangible asset	–	2,543	–	–	–	–	–	–	–	2,543
Loss (gain) on disposal of property, plant and equipment	–	–	–	24	–	–	–	–	(3)	21
Increase in fair value of investment properties	24,961	–	–	–	–	–	–	–	–	24,961
Interest income	–	3,417	–	359	21	8	447	10,562	5,648	20,462

8. SEGMENT INFORMATION (continued)

Other segment information (continued)

For the year ended 31 December 2008

	Property leasing and building management services HK$'000	Digital content distribution and exhibitions HK$'000	CG creation and production HK$'000	CG training courses HK$'000	Films and television programme production HK$'000	Finance leasing HK$'000	Assets management HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amount included in the measure of segment profit or loss or segment assets:									
Additions to non-current assets (Note)	–	39,345	17,750	1,453	12	10	29	527	59,126
Other expense (note 11)	–	22,202	–	–	–	–	–	–	22,202
Depreciation of property, plant and equipment	21	1,442	2,475	736	718	619	979	867	7,857
Allowance for bad and doubtful debts	–	–	–	386	6,000	–	–	–	6,386
Allowance for inventories	–	1,031	–	–	–	–	–	–	1,031
Amortisation of intangible asset (included in cost of sales)	–	28,491	–	–	–	–	–	–	28,491
Amortisation of prepaid lease payments	–	–	125	–	–	–	–	36	161
Gain on disposal of intangible asset	–	104	–	–	–	–	–	–	104
Impairment loss in respect of goodwill	–	10,397	–	–	–	–	–	–	10,397
Loss on disposal of property, plant and equipment	–	–	40	–	10	–	–	–	50
Decrease in fair value of investment properties	15,960	–	–	–	–	–	–	–	15,960
Interest income	–	2,078	136	6	15	1,080	1,875	–	5,190

8. SEGMENT INFORMATION (continued)

Geographical information

The Group's reportable segments operate in five main geographical areas, namely the PRC, the United States, Europe, Hong Kong and other regions. The head office of the Group, deployment of digital cinema in Asia division, assets management and property leasing and building management services are located in Hong Kong. The Group's CG creation and production centres, CG training facilities, film and television programme production centres and finance leasing are located in the PRC. Customers of the Group's digital content distribution and exhibitions business are mainly located in the PRC, the United States and other regions.

The Group's revenue by geographical market based on geographical location of customers, irrespective of the origin of the goods, and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets (note 1)	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
The PRC	**367,444**	236,822	**199,414**	358,524
The United States	**48,288**	36,434	**243**	245
Europe	**17,716**	12,076	**–**	–
Hong Kong	**20,207**	3,330	**153,187**	128,840
Other regions (note 2)	**40,886**	19,519	**3,036**	2,659
	494,541	308,181	**355,880**	490,268

Note:

1. Non-current assets exclude available-for-sale investments, interests in associates, other receivables finance lease receivables, entrusted loan receivable, restricted bank deposits, pledged bank deposit and advances.

2. Other regions includes Singapore and Korea which individually account for less than 10% of the Group's revenue from external customers and the Group's non-current assets.

Information about major customers

Revenue from a customer contributing over 10% of the total revenue of the Group for the year ended 31 December 2009 is approximately HK$50,899,000 under reportable segment of digital content distribution and exhibitions. For the year ended 31 December 2008, no customer contributed over 10% of the total revenue of the Group.

9. OTHER INCOME

	2009 HK$'000	2008 HK$'000
Interest income from loans and receivables	**17,335**	5,190
Dividend income from held-for-trading investments	**91**	3,118
Gain on disposal of intangible assets (Note)	**2,543**	–
Imputed interest income derived from deferred consideration of disposal of intangible asset (note 23)	**3,127**	–
Others	**3,871**	3,727
	26,967	12,035

Note: The intangible asset was disposed to China Film Group Corporation ("CFGC"), the majority shareholder of an associate of the Group, details of which are set out in note 23.

10. FINANCE COSTS

	2009 HK$'000	2008 HK$'000
Interest on bank and other borrowings wholly repayable within five years	**1,755**	5,047
Interest on bank and other borrowings not wholly repayable within five years	**1,884**	335
Other finance costs	**–**	664
	3,639	6,046

Included in cost of sales is interest on bank borrowings wholly repayable within five years amounting to HK$69,765,000 (2008: HK$106,449,000) under finance leasing segment.

11. OTHER EXPENSE

Other expense for the year ended 31 December 2008 represented a one-off payment to CFGC for the acquisition of certain of its film distribution rights in the PRC.

12. DISCOUNT ON ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY

On 20 August 2008, the Group entered into a conditional agreement with the minority shareholder of South China International Leasing Co. Ltd. ("South China Leasing"), a then 80% indirect owned subsidiary of the Company, pursuant to which the minority shareholder agreed to transfer its 20% equity interest in the registered capital of South China Leasing to the Group for a consideration of RMB31,755,150 (equivalent to approximately HK$36,085,000). Details of this acquisition are set out in the circular of the Company dated 3 September 2008.

This acquisition was completed in April 2009 upon receiving the approval by the appropriate authority in the PRC and South China Leasing became an indirect wholly-owned subsidiary of the Company. The advance paid and direct transaction costs incurred in relation to this acquisition of approximately HK$26,229,000 as at 31 December 2008 (note 26) formed part of the consideration thereafter and the Group paid the remaining consideration of approximately HK$9,949,000 to the minority shareholder during the year ended 31 December 2009.

The Group has ascertained the fair value of the net assets of South China Leasing in relation to the acquisition of additional interest in South China Leasing at the date of completion and concluded that the fair values of assets and liabilities of South China Leasing at that time did not have significant difference from their respective carry amounts. Accordingly, discount on acquisition of additional interest in South China Leasing of approximately HK$2,154,000 arose, which represented the excess of the Group's additional interest in the fair value of the net assets of South China Leasing over the consideration paid at the date of completion.

13. LOSS ON DILUTION OF INTERESTS IN A SUBSIDIARY

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

14. INCOME TAX EXPENSE

	2009 HK$'000	2008 HK$'000
The income tax expense comprises:		
Current tax:		
Hong Kong		
Provision for the year	**137**	63
Under(over)provision in prior year	**31**	(431)
	168	(368)
PRC Enterprise Income Tax ("EIT")		
Provision for the year	**12,263**	4,401
Overprovision in prior year	**(1)**	(2,246)
	12,262	2,155
Deferred taxation (note 41):		
Current year	**583**	(247)
	13,013	1,540

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2009 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the EIT rate of certain subsidiaries of the Group operating in the PRC was either reduced from 33% to 25% or was increased from 15% to 25% progressively from 1 January 2008 onwards. For the year ended 31 December 2009, the relevant tax rates for the Group's subsidiaries in the PRC ranged from 20% to 25% (2008: 18% to 25%).

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

14. INCOME TAX EXPENSE (continued)

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

During the year ended 31 December 2008, a PRC subsidiary was granted two years tax exemption for the financial years ended 2007 and 2008, followed by a 50% reduction for the financial years ended 2009, 2010 and 2011. A provision for PRC EIT of approximately HK$2,246,000 made in 2007 was therefore reversed in the consolidated statement of comprehensive income.

The income tax expense for the year can be reconciled to the profit (loss) before tax in the consolidated statement of comprehensive income as follows:

	2009	2008
	HK$'000	HK$'000
Profit (loss) before tax	**71,552**	(156,209)
Tax calculated at PRC EIT rate of 25%	**17,888**	(39,052)
Tax effect on share of result of associates	**72**	214
Tax effect of expenses not deductible for tax purposes	**11,829**	18,449
Tax effect of income not taxable for tax purposes	**(5,695)**	(920)
Under(over)provision in prior year	**30**	(2,677)
Tax effect of deferred tax assets not recognised	**14,046**	15,951
Tax effect of utilisation of deferred tax assets previously not recognised	**(6,979)**	(317)
Utilisation of temporary differences arising from unrealised profits resulting from intra-group transactions previously not recognised	**(3,808)**	(423)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(3,841)**	13,205
Effect of tax exemptions granted to a subsidiary in the PRC	**(7,600)**	(1,618)
Decrease in opening deferred tax liabilities resulting from a decrease in applicable tax rate	**–**	(66)
Others	**(2,929)**	(1,206)
Income tax expense for the year	**13,013**	1,540

15. PROFIT (LOSS) FOR THE YEAR

	2009 HK$'000	2008 HK$'000
Profit (loss) for the year has been arrived at after charging:		
Staff costs, including Directors' remuneration (note 16):		
– Salaries, wages and other benefits	**114,446**	94,028
– Retirement benefit scheme contributions	**3,389**	2,905
– Share-based payments	**–**	10,869
Total staff costs	**117,835**	107,802
Less: amounts included in contracts cost	**(21,095)**	(10,526)
	96,740	97,276
Allowance for doubtful debts	**3,536**	6,386
Allowance for inventories	**6,368**	1,031
Allowance for production work in progress	**4,811**	–
Amortisation of intangible asset (included in cost of sales)	**633**	28,491
Amortisation of prepaid lease payments	**148**	161
Auditor's remuneration	**1,416**	3,433
Cost of inventories recognised as an expense	**180,015**	35,574
Contract costs recognised as an expense	**49,711**	28,953
Depreciation	**13,486**	10,329
Less: amounts included in contracts cost	**(5,158)**	(1,904)
government grants	**–**	(568)
	8,328	7,857
Impairment loss in respect of goodwill	**–**	10,397
Loss on disposal of property, plant and equipment	**21**	50
Research and development costs recognised as an expense	**8,043**	2,843
and after crediting:		
Gain on disposal of intangible asset	**2,543**	104
Exchange gain, net	**1,429**	406
Reversal of allowance for doubtful debts	**227**	–
Gross rent from investment properties	**6,318**	6,702
Less: direct operating expenses from investment properties that generated rental income during the year	**(684)**	(580)
	5,634	6,122

16. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the 9 (2008: 9) Directors were as follows:

2009

	Wang Qinghai HK$'000	Cao Zhong HK$'000	Chen Zheng HK$'000	Wang Tian HK$'000	Yuan Wenxin HK$'000	Leung Shun Sang, Tony HK$'000	Tam King Ching, Kenny HK$'000	Zhou Jianhong HK$'000	Yip Kin Man, Raymond HK$'000	Total HK$'000
Fees	150	–	–	–	–	190	240	240	240	1,060
Other emoluments										
Salaries and other benefits	–	2,100	1,680	1,680	1,680	–	–	–	–	7,140
Retirement benefit scheme contributions	–	12	72	72	72	–	–	–	–	228
Total emoluments	150	2,112	1,752	1,752	1,752	190	240	240	240	8,428

2008

	Wang Qinghai HK$'000	Cao Zhong HK$'000	Chen Zheng HK$'000	Wang Tian HK$'000	Yuan Wenxin HK$'000	Leung Shun Sang, Tony HK$'000	Tam King Ching, Kenny HK$'000	Zhou Jianhong HK$'000	Yip Kin Man, Raymond HK$'000	Total HK$'000
Fees	150	–	–	–	–	190	240	240	240	1,060
Other emoluments										
Salaries and other benefits	–	1,950	1,560	1,560	1,560	–	–	–	–	6,630
Retirement benefit scheme contributions	–	12	72	72	72	–	–	–	–	228
Share-based payments	–	2,979	1,813	1,555	1,555	2,073	298	298	298	10,869
Total emoluments	150	4,941	3,445	3,187	3,187	2,263	538	538	538	18,787

No Director of the Company waived any emoluments in both years.

For the year ended 31 December 2009, Mr. Cao Zhong waived emoluments of approximately HK$1,800,000 (2008: HK$604,000) in relation to his service to Global Digital Creations Holdings Limited.

16. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(b) Employees' Emoluments

Of the five individuals with the highest emoluments in the Group, four (2008: four) are the Directors whose emoluments are included in the disclosures above. The emoluments of the remaining one (2008: one) individual are as follows:

	2009 HK$'000	2008 HK$'000
Salaries and other benefits	**2,769**	2,680
Retirement benefits schemes contributions	**12**	12
	2,781	2,692

17. EARNINGS (LOSS) PER SHARE

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

	2009 HK$'000	2008 HK$'000
Earnings (loss)		
Earnings (loss) for the purposes of basic and diluted earnings (loss) per share (Profit (loss) for the year attributable to owners of the Company)	**38,696**	(119,446)

	2009 '000	2008 '000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings (loss) per share	**1,151,392**	1,151,206

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

17. EARNINGS (LOSS) PER SHARE (continued)

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

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Computer equipment	Other fixed assets	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST						
At 1 January 2008	28,974	7,439	22,174	12,959	1,519	73,065
Exchange realignment	1,755	1,641	1,415	543	96	5,450
Additions	–	1,825	10,134	1,343	7,368	20,670
Disposals	–	(104)	(13,898)	(278)	–	(14,280)
At 31 December 2008	30,729	10,801	19,825	14,567	8,983	84,905
Additions	–	2,938	11,862	1,473	82,477	98,750
Disposals	–	–	(3,264)	(53)	–	(3,317)
Reclassified to investment properties	(1,043)	–	–	–	–	(1,043)
At 31 December 2009	29,686	13,739	28,423	15,987	91,460	179,295
DEPRECIATION AND IMPAIRMENT						
At 1 January 2008	419	4,142	13,883	6,987	–	25,431
Exchange realignment	12	1,543	1,038	272	–	2,865
Provided for the year	694	1,572	5,593	2,470	–	10,329
Eliminated on disposals	–	(104)	(13,898)	(228)	–	(14,230)
At 31 December 2008	1,125	7,153	6,616	9,501	–	24,395
Provided for the year	694	2,656	7,888	2,248	–	13,486
Eliminated on disposals	–	–	(2,885)	(47)	–	(2,932)
Eliminated on reclassification to investment properties	(350)	–	–	–	–	(350)
At 31 December 2009	1,469	9,809	11,619	11,702	–	34,599
CARRYING VALUES						
At 31 December 2009	28,217	3,930	16,804	4,285	91,460	144,696
At 31 December 2008	29,604	3,648	13,209	5,066	8,983	60,510

18. PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation is provided to write off the cost of items of property, plant and equipment other than the construction in progress 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	Over the shorter of term of the lease of the land or 50 years
Leasehold improvements	Over the shorter of term of the lease or 5 years
Computer equipment	$33^{1}/_{3}$%
Other fixed assets	20% – 30%

The construction in progress represents a building in the PRC for the Group's own use in the course of construction.

At 31 December 2008, the Group has pledged buildings with a carrying value of approximately HK$29,604,000 to secure bank borrowings of the Group.

The related bank borrowings have been fully repaid during the year ended 31 December 2009.

At 31 December 2009, all of the Group's construction in progress have been pledged to secure banking facility granted to the Group (see note 40).

19. PREPAID LEASE PAYMENTS

	2009 HK$'000	2008 HK$'000
COST		
At 1 January	**8,346**	7,894
Exchange realignment	**–**	365
Addition during the year	**–**	87
Reclassified to investment properties (note 20)	**(2,100)**	–
At 31 December	**6,246**	8,346
AMORTISATION		
At 1 January	**678**	518
Exchange realignment	**–**	4
Charge for the year	**148**	156
Eliminated on reclassification to investment properties (note 20)	**(504)**	–
At 31 December	**322**	678
CARRYING VALUE		
At 31 December	**5,924**	7,668

The Group's prepaid lease payments comprise:

Long-term leasehold land in Hong Kong	**–**	1,619
Medium-term leasehold land in the PRC	**5,924**	6,049
	5,924	7,668
Analysed for reporting purposes as:		
Current	**125**	156
Non-current	**5,799**	7,512
	5,924	7,668

As at 31 December 2009, all of Group's prepaid lease payments have been pledged to secure banking facilities granted to the Group (see note 40).

20. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2008	141,160
Net decrease in fair value recognised in profit or loss	(15,960)
At 31 December 2008	125,200
Reclassified from property, plant and equipment (note 18)	693
Reclassified from prepaid lease payment (note 19)	1,596
Net increase in fair value recognised in profit or loss	24,961
At 31 December 2009	152,450

Note: During the year ended 31 December 2009, property, plant and equipment and prepaid lease payments with a carrying amount of approximately HK$2,289,000 which approximated to its fair value at the date of transfer, were reclassified to investment properties. The property was used by the Group as directors' quarters for the year ended 31 December 2008. During the year ended 31 December 2009, the property was leased to an independent third party and therefore reclassified to investment properties.

The fair value of the Group's investment properties at 31 December 2009 and 2008 have been arrived at on the basis of a valuation carried out on that date by AA Property Services Limited, an independent qualified professional valuer not connected with the Group. AA Property Services Limited is a registered firm of the Hong Kong Institute of Surveyors, and has appropriate qualifications and experiences. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same location and conditions and where appropriate by capitalisation of rental income from 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.

At 31 December, 2009, all of the Group's investment properties are located in Hong Kong and held under long leases with the lease terms of 52 to 126 years. All of the Group's investment properties have been pledged to banks to secure general banking facilities granted to the Group.

21. GOODWILL

	HK$'000
COST	
At 31 December 2008 and 2009	254,789
IMPAIRMENT	
At 31 December 2008 and 2009	201,854
CARRYING VALUE	
At 31 December 2008 and 2009	52,935

Particulars regarding impairment testing on goodwill are disclosed in note 22.

22. IMPAIRMENT TESTING ON GOODWILL

For the purposes of impairment testing, goodwill set out in note 21 has been allocated to CGUs represented by finance leasing division.

The recoverable amount of the CGU arising from finance leasing division has been determined on the basis of value in use calculations. The recoverable amount is based on certain key assumptions. For the purpose of impairment testing, the value in use calculations use cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rates of 9% (2008: 9%) for finance leasing division. 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.

23. INTANGIBLE ASSET

	HK$'000
COST	
At 1 January 2008	221,545
Exchange realignment	13,834
Acquisition	38,369
Disposal	(1,250)
At 31 December 2008	272,498
Disposal	(272,498)
At 31 December 2009	–
AMORTISATION	
At 1 January 2008	–
Charge for the year	28,491
Eliminated on disposal	(104)
As at 31 December 2008	28,387
Charge for the year	633
Eliminated on disposal	(29,020)
At 31 December 2009	–
CARRYING VALUE	
At 31 December 2009	–
At 31 December 2008	244,111

23. INTANGIBLE ASSET (continued)

As at 31 December 2008, the intangible asset represented the contractual rights to share a specified percentage of the box office receipts from certain cinemas in the PRC using the digital cinema equipment installed by the Group for exhibition of digital contents. It had finite useful life and was amortised on a straight-line basis over the relevant contract up to 10 years. In 2009, the Group disposed the intangible asset to CFGC for a consideration of RMB223,791,600 (equivalent to approximately HK$254,227,000). The consideration was payable by CFGC in following manner:

(i) a sum of RMB100,000,000 (equivalent to approximately HK$113,600,000) was payable within 3 days upon the agreement became effective; and

(ii) the remaining balance of RMB123,791,600 (equivalent to approximately HK$140,627,000) was payable in three installments in accordance with the following schedule:

- RMB50,000,000 (equivalent to approximately HK$56,800,000) should be payable on or before 1 June 2009;
- RMB50,000,000 (equivalent to approximately HK$56,800,000) should be payable on or before 1 September 2009; and
- RMB23,791,600 (equivalent to approximately HK$27,027,000) should be payable on or before 1 December 2009.

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

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

24. INTERESTS IN ASSOCIATES

	2009 HK$'000	2008 HK$'000
Cost of investment in unlisted associates	**22,586**	22,586
Share of post-acquisition translation difference recognised in other comprehensive income	**1,205**	1,205
Share of post-acquisition losses	**(1,442)**	(1,155)
Less: Impairment loss recognised	**(780)**	(780)
	21,569	21,856

Details of the Group's principal associates at 31 December 2009 and 2008 are as follows:

Name of entity	Form of business structure	Place of incorporation/ establishment and operation	Proportion of nominal value of issued share capital /registered capital held by the Group	Proportion of voting power held	Principal activities
Top Pearl International Development Ltd. ("Top Pearl")	Incorporated	BVI/ The PRC	50%	50% (Note 1)	Property development and became inactive
中影首鋼環球數碼數字影院建設（北京）有限公司 CFGDC Digital Cinema Company Limited ("CFGDC")	Sino-foreign equity joint venture	The PRC/ The PRC	49%	40% (Note 2)	Deployment of digital cinema network in 2008 and become inactive in 2009

Note:

1. In the opinion of the Directors, the investment in Top Pearl of approximately HK$780,000, together with loan to Top Pearl amounting to HK$31,489,000 are considered to be fully impaired at 31 December 2009 and 2008 as Top Pearl has become inactive.

2. The Group holds 49% of the registered capital of CFGDC and holds 2 out of 5 votes (representing 40% of the votes) in the meeting of the board of directors of CFGDC. Pursuant to the Articles of Association of CFGDC, over 50% vote is required to pass a resolution in relation to the financial and operating policies of CFGDC. The Directors consider the Group does not control CFGDC but the Group can exercise significant influence over CFGDC. Hence, CFGDC is classified as an associate of the Group.

24. INTERESTS IN ASSOCIATES (continued)

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

	2009 **HK$'000**	2008 HK$'000
Total assets	**44,018**	44,639
Total liabilities	**–**	(35)
Net assets	**44,018**	44,604
The Group's share of net assets of associates	**21,569**	21,856
Revenue	**60**	611
Loss for the year	**(586)**	(1,749)
The Group's share of loss of associates for the year	**(287)**	(857)

25. OTHER RECEIVABLES

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

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

26. ADVANCES

	2009 **HK$'000**	2008 HK$'000
Advances paid for:		
Agreement for a term loan facility and call options (note 34)	–	68,182
Agreements for acquisition of non-performing loans and interests (note 36)	–	32,136
Agreement for acquisition of additional interest in a subsidiary (note 12)	–	26,229
	–	126,547

27. FINANCE LEASE RECEIVABLES

	Minimum lease receipts		Present value of minimum lease receipts	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Variable-interest rate finance lease receivables comprise:				
Within one year	**509,737**	543,315	**464,519**	463,170
In more than one year but not more than two years	**220,935**	530,174	**197,595**	492,351
In more than two years but not more than three years	**210,666**	209,746	**200,882**	193,068
In more than three years but not more than four years	**31,414**	115,246	**30,014**	108,464
In more than four years but not more than five years	**705**	33,278	**615**	32,409
More than five years	**248**	943	**241**	846
	973,705	1,432,702	**893,866**	1,290,308
Less: Unearned finance income	**(79,839)**	(142,394)	**N/A**	N/A
Present value of minimum lease receipts	**893,866**	1,290,308	**893,866**	1,290,308
Analysed as:				
Current finance lease receivables (receivable within 12 months)			**464,519**	463,170
Non-current finance lease receivables (receivable after 12 months)			**429,347**	827,138
			893,866	1,290,308

27. FINANCE LEASE RECEIVABLES (continued)

Effective interest rates per annum of the above finance lease receivables for the year are as follows:

	2009	2008
Effective interest rates	**5% to 16%**	6% to 16%

For the year ended 31 December 2009, finance lease receivables of approximately HK$827,855,000 (2008: HK$1,258,941,000) have been pledged against specific bank borrowings granted to the Group. As at 31 December 2009, finance lease receivables amounting to approximately HK$6,034,000 (2008: HK$39,393,000) were past due but not impaired. The finance lease receivables past due but not impaired are all overdue for 90 to 180 days. The Directors considered that those receivables are with good credit quality according to their past repayment history. The Directors have assessed the estimated fair value of the leased assets of receivables which are past due but not impaired to determine whether adequate collateral has been held for these finance lease borrowers and considered that the estimated fair value of these leased assets held is in excess of the carrying amount of the receivables. The leased assets for those past due receivables mainly include machineries and vessels.

For the finance lease receivables which are neither past due nor impaired, the Directors assessed that the balances are with good credit quality according to their past repayment history.

Security deposits of approximately HK$60,168,000 (2008: HK$60,168,000) has been received by the Group to secure the finance lease receivables. In addition, the finance lease receivables are secured over the leased asset as at 31 December 2009 and 2008. The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee.

Security deposits received have been classified into current liabilities and non-current liabilities based on the final lease instalment due date stipulated in the finance lease agreements.

All the Group's finance lease receivables are denominated in Renminbi, the functional currency of the relevant group entity.

28. ENTRUSTED LOAN RECEIVABLES

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

	2009	2008
	HK$'000	HK$'000
Entrusted loan receivables comprise:		
Within one year	**25,873**	26,879
In more than one year, but not more than two years	**227**	25,272
In more than two years, but not more than three years	**–**	227
	26,100	52,378
Less: Amounts due within one year shown under current assets	**(25,873)**	(26,879)
Amounts due after one year	**227**	25,499

As at 31 December 2009, the exposure of the Group's fixed-rate receivables and the contractual maturity dates are as follows:

	2009	2008
	HK$'000	HK$'000
Fixed-rate receivables which are due:		
Within one year	**2,554**	26,879
In more than one year, but not more than two years	**227**	2,545
In more than two years, but not more than three years	**–**	227
	2,781	29,651

As at 31 December 2009, the Group's variable-rate receivable amounted to approximately HK$23,319,000 (2008: HK$22,727,000) is due within one year.

28. ENTRUSTED LOAN RECEIVABLES (continued)

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

	2009	2008
Effective interest rate:		
Fixed-rate receivables	**13%**	13% to 15%
Variable-rate receivable	**PBC Rate up by a premium of 5%**	PBC Rate up by a premium of 5%

For the year ended 31 December 2009 and 2008, no entrusted loan receivables have been past due but not impaired. The Directors considered that the entrusted loan borrowers have good credit quality according to their past repayment history.

All the Group's entrusted loan receivables are denominated in Renminbi, the functional currency of the relevant group entities.

The entrusted loan receivables are mainly secured by properties and vessels pledged by the specified borrowers or their related parties. The Group is not permitted to sell or repledge the collateral in the absence of default by the entrusted loan borrower.

29. INVENTORIES

	2009 HK$'000	2008 HK$'000
Raw materials, net of allowance of approximately HK$1,974,000 (2008: approximately HK$650,000)	**7,059**	6,345
Finished goods, net of allowance of approximately HK$5,984,000 (2008: approximately HK$940,000)	**27,888**	15,559
	34,947	21,904

30. PRODUCTION WORK IN PROGRESS

	2009 HK$'000	2008 HK$'000
Movie and television series	–	3,875

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

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

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

32. TRADE RECEIVABLES

	2009 HK$'000	2008 HK$'000
Trade receivables	51,172	26,910
Less: Allowance for doubtful debts	(9,695)	(6,386)
	41,477	20,524

32. TRADE RECEIVABLES (continued)

The Group allows an average credit period of 90 days to its trade customers. The following is an aged analysis of the trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	2009	2008
	HK$'000	HK$'000
0 – 90 days	**39,670**	8,302
91 – 180 days	**1,484**	8,527
Over 180 days	**323**	3,695
	41,477	20,524

Included in the Group's trade receivable balances are debtors with an aggregate carrying amount of approximately HK$1,807,000 (2008: HK$12,222,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Directors assessed that the balances will be recovered as these receivables have good credit quality according to their past repayment history. The Group does not hold any collateral over these balances.

The following is an aged analysis of trade receivables based on invoice date which are past due but not impaired:

	2009	2008
	HK$'000	HK$'000
91 – 180 days	**1,484**	8,527
181 – 270 days	**140**	1,446
271 – 360 days	**156**	2,046
Over 360 days	**27**	203
Total	**1,807**	12,222

32. TRADE RECEIVABLES (continued)

Movement in the allowance for doubtful debts

	2009 HK$'000	2008 HK$'000
At 1 January	**6,386**	230
Allowance for impairment losses	**3,536**	6,386
Amounts recovered during the year	**(227)**	(230)
At 31 December	**9,695**	6,386

Included in the allowance for doubtful debts as at 31 December 2009 and 2008 were individually impaired trade receivables with an aggregate balance of approximately HK$9,695,000 and HK$6,386,000, respectively, in respect of which the customers were not fully satisfied with the quality of products provided by CG creation and production division, films and television programme production division and the services provided by CG training division and the amount was considered uncollectible.

33. OTHER FINANCIAL ASSETS

Prepayments, deposits and other receivables

	2009 HK$'000	2008 HK$'000
Other receivables	**69,706**	17,347
Prepayments	**13,160**	3,336
Deposits	**10,880**	2,274
	93,746	22,957

Other receivables as at 31 December 2009 included a receivable of approximately HK$61,177,000 due from an independent third party for the assets management division. The amount is secured by a listed security in the PRC with market value of approximately HK$134,903,000 as at 31 December 2009, interest bearing at 15% per annum and is expected to be realised in the next twelve months from the end of the reporting period. Therefore the whole carrying amount is classified as a current asset.

Included in the other receivable was HK$4,153,000 (2008: nil) arising from VPF agreement with distributors and exhibitors of digital contents. Details of which are disclosed in note 25.

33. OTHER FINANCIAL ASSETS (continued)

Restricted bank deposits

The amounts as at 31 December 2009 and 2008 represented bank deposits restricted and the restricted bank deposits will be released upon the full settlement of the relevant bank borrowings. Therefore, they are classified as non-current assets.

The deposits carried interest at average interest rate of 3.60% (2008: 3.60%) per annum.

Pledged bank deposit

As at 31 December 2009, the pledged bank deposit represents deposit of approximately HK$1,956,000 (2008: HK$665,000) pledged to a bank to secure a construction agreement (classified as non-current asset) entered into with an independent third party which carries interest rate at 1.98% (2008: 3.22%) per annum. The pledged bank deposit will be released upon the settlement of the agreement.

As at 31 December 2008, the Group also pledged another deposit of approximately HK$2,808,000 to a bank to secure a purchase of raw materials agreement (classified as current asset) which carried interest rate at 0.10% per annum.

Bank balances and cash

The Group's deposits carry interest rate at prevailing bank saving deposits rate ranging from 0.05% to 0.39% (2008: 0.18% to 1.69%) per annum.

34. CONVERTIBLE LOAN RECEIVABLE

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

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

34. CONVERTIBLE LOAN RECEIVABLE (continued)

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

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

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

35. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments as at 31 December 2009 and 2008 represented equity securities as follows:

	2009 **HK$'000**	2008 HK$'000
Listed in the PRC	**2,154**	73,588
Listed in Hong Kong	**23,266**	12,080
	25,420	85,668

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

36. AVAILABLE-FOR-SALE INVESTMENTS

	Notes	2009 HK$'000	2008 HK$'000
Unlisted non-performing loans and interests	(i)	**32,136**	–
Unlisted equity interests	(ii)	**5,341**	–
		37,477	–

Notes:

(i) On 30 January 2009, the Group entered into two agreements with 中國東方資產管理公司石家莊辦事處 (the "Vendor"), an independent third party pursuant to which the Group acquired two non-performing loans and interests accrued thereon with principal amounts of RMB23 million (equivalent to approximately HK$26.1 million) and RMB30.54 million (equivalent to approximately HK$34.7 million) for considerations of RMB9 million (equivalent to approximately HK$10.2 million) and RMB19 million (equivalent to approximately HK$21.6 million), respectively. The investment is pledged by land and wine in the PRC held by borrower with estimated fair value above the carrying amount of investment. Details of which were set out in the announcement of the Company dated 4 February 2009.

The advance of approximately RMB28 million (equivalent to approximately HK$32.1 million) as at 31 December 2008 (note 26) to the Vendor became the investment costs which were then designated as available-for-sales investments thereafter and the fair value of the investment as at 31 December 2009 is estimated to approximate its cost. Only after such time as the interest-in-suspense is no longer required, interest income will then be subsequently recognised using the effective interest method.

(ii) The investment represents equity interest in private entities established in the PRC.

The investment is measured at cost less impairment at the end of the reporting period because the range of the reasonable fair value estimates is so variable that the Directors are of the opinion that their fair values cannot be measured reliably.

37. TRADE PAYABLES

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

	2009	2008
	HK$'000	HK$'000
0 – 90 days	**31,153**	6,568
91 – 180 days	**1,816**	76
Over 180 days	**–**	1,473
	32,969	8,117

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

38. INCOME RECEIVED IN ADVANCE

As at 31 December 2009 and 2008, the income received in advance represented handling fee income received from finance lease borrowers for administrative services provided over the relevant lease term, deposits received in advance before sales of goods are completed, training fee income received in advance before the training courses are completed and production and distribution income of films and television programme received before completion of production and distribution of films and television programme to the customers.

	2009	2008
	HK$'000	HK$'000
Analysed for reporting purposes:		
Current	**43,427**	38,108
Non-current	**7,754**	16,393
	51,181	54,501

39. AMOUNT DUE TO AN ASSOCIATE

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

40. SECURED BANK BORROWINGS

	2009 HK$'000	2008 HK$'000
Secured variable-rate bank borrowings	**964,379**	1,357,296
Carrying amount repayable:		
On demand or within one year	**539,326**	427,048
More than one year, but not exceeding two years	**174,246**	568,735
More than two years, but not exceeding three years	**178,307**	181,320
More than three years, but not exceeding four years	**16,448**	100,915
More than four years, but not exceeding five years	**4,068**	33,454
More than five years	**51,984**	45,824
	964,379	1,357,296
Less: Amounts due within one year shown under current liabilities	**(539,326)**	(427,048)
Amounts due after one year	**425,053**	930,248

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

	2009 HK$'000	2008 HK$'000
Hong Kong Dollar	**152,924**	156,426

The interest rate for the Group's bank borrowings varies from different subsidiaries. The interest rates vary from prime rate minus 2.25%, HIBOR plus 1%, variable PBC rates plus a spread of 5% to 10% (2008: HIBOR plus 1% to 1.375% and variable PBC rate plus a spread of 5% to 10%). The interest rates for the Group ranged from 1.2%-9.0% per annum for the year ended 31 December 2009 (2008:1.3% to 9.0% per annum) The interest is repricing every month for secured bank borrowing of approximately HK$163,151,000 and repricing every quarter for secured bank borrowing of approximately HK$801,228,000. The proceeds were used as general working capital for the Group and construction of a building in the PRC.

As at 31 December 2009, the bank borrowings are secured by the Group's pledge of construction in construction in progress (note 18), prepaid lease payment (note 19) and investment properties (note 20) and certain finance lease receivables (note 27).

As at 31 December 2008, the bank borrowings were secured by the Group's building (note 18), prepaid lease payment (note 19), investment properties (note 20) and certain finance lease receivables (note 27). The pledge of building has been released during the year ended 31 December 2009 upon repayment of the relevant bank borrowing.

As at 31 December 2009, the Group has undrawn borrowing facilities of approximately RMB141,000,000 (equivalent to approximately HK$160,227,000), which is secured by pledge of construction in progress (see note 18) and prepaid lease payment (see note 19), carries interest at the People's Bank of China Renminbi Lending Rate per annum and will be expired beyond one year.

41. DEFERRED TAX LIABILITIES

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2009 HK$'000	2008 HK$'000
Deferred tax liabilities	**10,884**	10,148
Deferred tax assets	**(9,208)**	(9,055)
	1,676	1,093

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

	Investment properties HK$'000	**Accelerated tax depreciation** HK$'000	**Tax losses** HK$'000	**Total** HK$'000
At 1 January 2008	10,199	136	(8,995)	1,340
Credit to profit or loss	(120)	(8)	(53)	(181)
Effect of change in tax rate	(59)	–	(7)	(66)
At 31 December 2008	10,020	128	(9,055)	1,093
Charge (credit) to profit or loss	634	102	(153)	583
At 31 December 2009	10,654	230	(9,208)	1,676

41. DEFERRED TAX LIABILITIES (continued)

At the end of the reporting period, the Group has unused tax losses of approximately HK$246,361,000 (2008: HK$217,165,000) 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$55,806,000 (2008: HK$54,878,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$190,555,000 (2008: HK$162,287,000) due to the unpredictable of future profit streams.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by the Group's PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary difference attributable to the retained profits earned by the PRC subsidiaries amounting to HK$94 million as at 31 December 2009 (31 December 2008: HK$68 million) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

42. SHARE CAPITAL

	2009		2008	
	Number of shares	**Nominal value HK$'000**	Number of shares	Nominal value HK$'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	**1,151,392,469**	**11,514**	1,150,392,469	11,504
Exercise of share options (Note)	**–**	**–**	1,000,000	10
At 31 December	**1,151,392,469**	**11,514**	1,151,392,469	11,514

Note: For the year ended 31 December 2008, share option holders exercised their right to subscribe 1,000,000 ordinary shares of the Company at HK$0.41 per share.

43. CAPITAL COMMITMENTS

	2009	2008
	HK$'000	HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**125,733**	8,350

44. LITIGATION

On 14 May 2003, GDC Entertainment Limited ("GDC Entertainment"), a subsidiary of the Company, entered into a co-production agreement (the "Co-production Agreement") with Westwood Audiovisual and Multimedia Consultants, Inc. ("WAMC") and Production and Partners Multimedia, SAS ("P&PM") in relation to an animated television series.

In about November 2004, P&PM and WAMC commenced proceedings against GDC Entertainment in the Court of Commerce of Angouleme (France) alleging breaches on the part of GDC Entertainment of the Co-production Agreement.

In relation to the French proceedings, the Group's French legal advisers had advised that the enforcement of P&PM's and WAMC's claims should only be limited to the assets of GDC Entertainment.

Further, arbitration proceedings were commenced by GDC Entertainment against P&PM and WAMC in Hong Kong by way of a notice of arbitration dated 16 June 2005 issued pursuant to the Co-production Agreement. In the arbitration, issues had been raised by GDC Entertainment as to whether P&PM and/or WAMC were in repudiatory breach of the Co-production Agreement which entitled GDC Entertainment to terminate the same claim of damages from P&PM and WAMC. Pleadings have not yet been exchanged in the arbitration. P&PM and WAMC have applied to the arbitrator for the determination of a preliminary issue as to whether the arbitrator has jurisdiction to hear the dispute which GDC Entertainment will refer to the arbitrator in the arbitration. The hearing of the application was held on 20 January 2006. Award of the arbitrator was published on the Issue of Jurisdiction on 23 March 2006 dismissing the application, and made an order for costs in GDC Entertainment's favour in respect of the application. Since then, there has been no further step taken by the parties. GDC Entertainment has written to the arbitrator seeking directions for the further conduct of the arbitration, including the service of pleadings in the arbitration.

Effective from 1 May 2009, GDC Entertainment has been struck off but can be restored at any time up to ten years after the strike-off date.

45. OPERATING LEASES

The Group as lessor

Property rental income earned during the year was approximately HK$6,318,000 (2008: HK$6,702,000). The remaining properties are expected to generate rental yield of 4.1% an ongoing basis. All of the properties held have committed tenants for the next one to two years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2009 **HK$'000**	2008 HK$'000
Within one year	**3,206**	4,308
In the second to fifth years inclusive	**701**	1,901
	3,907	6,209

The Group as lessee

Minimum lease payments paid under operating lease in respect of office premises during the year was approximately HK$7,889,000 (2008: HK$7,992,000).

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2009 **HK$'000**	2008 HK$'000
Within one year	**8,591**	9,407
In the second to fifth years inclusive	**13,177**	8,093
Over five years	**3,558**	2,754
	25,326	20,254

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

46. SHARE OPTIONS SCHEMES

a. Share Option Scheme of the Company

The Company operates the share option scheme (the "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 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 Scheme became effective on 7 June 2002, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the 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. The maximum number of shares issuable under share options to each eligible participant in the 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 Scheme at any time within 10 years from the date of the options granted. All options granted would vest immediately on the date of grant of options.

The exercise price of the share options is determinable by the Directors, but may not be less than the highest 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.

46. SHARE OPTIONS SCHEMES (continued)

a. Share Option Scheme of the Company (continued)

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

The following table discloses the details of the share options and movements in such holdings during the years ended 31 December 2009 and 2008:

For the year ended 31 December 2009

				Number of share options				
Categories of grantees	Date of grant	Exercisable period	Exercise price per share	At 1.1.2009	Transferred to other category during the year	Transferred from other category during the year	Cancelled/ lapsed during the year (Note (a))	Balance as at 31.12.2009
Directors	23.8.2002	23.8.2002 – 6.6.2012	HK$0.73	75	–	–	–	75
	6.3.2003	6.3.2003 – 5.3.2013	HK$0.76	604	–	–	–	604
	19.1.2007	19.1.2007 – 18.1.2017	HK$0.41	63,068,000	–	–	–	63,068,000
	22.1.2008	22.1.2008 – 21.1.2018	HK$0.724	41,950,000	–	–	–	41,950,000
Employees	6.3.2003	6.3.2003 – 5.3.2013	HK$0.76	1,330,000	–	–	–	1,330,000
	19.1.2007	19.1.2007 – 18.1.2017	HK$0.41	7,200,000	(800,000)	–	(500,000)	5,900,000
Other participants (Note (c))	19.1.2007	19.1.2007 – 18.1.2017	HK$0.41	–	–	800,000	–	800,000
Totals				113,548,679	(800,000)	800,000	(500,000)	113,048,679

No share option was granted or exercised in accordance with the terms of the Scheme during the year 2009.

46. SHARE OPTIONS SCHEMES (continued)

a. Share Option Scheme of the Company (continued)

For the year ended 31 December 2008

Categories of grantees	Date of grant	Exercisable period	Exercise price per share	At 1.1.2008	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year (Note (b))	Balance as at 31.12.2008
				Number of share options				
Directors	23.8.2002	23.8.2002 – 6.6.2012	HK$0.73	75	–	–	–	75
	6.3.2003	6.3.2003 – 5.3.2013	HK$0.76	604	–	–	–	604
	19.1.2007	19.1.2007 – 18.1.2017	HK$0.41	63,068,000	–	–	–	63,068,000
	22.1.2008	22.1.2008 – 21.1.2018	HK$0.724	–	41,950,000	–	–	41,950,000
Employees	6.3.2003	6.3.2003 – 5.3.2013	HK$0.76	1,330,000	–	–	–	1,330,000
	19.1.2007	19.1.2007 – 18.1.2017	HK$0.41	8,200,000	–	(1,000,000)	–	7,200,000
	22.1.2008	1.7.2008 – 30.6.2018	HK$0.724	–	40,000,000	–	(40,000,000)	–
Totals				72,598,679	81,950,000	(1,000,000)	(40,000,000)	113,548,679

Notes:

(a) The share options were held by a grantee who ceased to be an employee of the Company during the year and such share options were lapsed on 13 December 2009.

(b) Such share options were granted to four grantees, who were employees of the Group, with the exercise period for 10 years commencing from 1 July 2008 at an exercise price of HK$0.724 per share, subject to a condition that the grantees shall procure that the Company and/or its subsidiaries successfully obtain bank financing of HK$100 million before 1 July 2008 (the "Condition"). As the Condition for each of the grantees was not satisfied, the 40,000,000 options lapsed on 1 July 2008 accordingly.

(c) Other participants include persons who will contribute or have contributed, to the Company or any subsidiaries or any associated companies of the Company. During the year ended 31 December 2009, 800,000 share options held by a grantee were re-classified from the category of "Employees" to "Other participants" due to resignation of the grantee in 2009. According to the terms of the Share Option Scheme of the Company, such options remain exercisable and shall lapse on 1 January 2010.

No consideration was received from employees for taking up the options granted for the year ended 31 December 2008.

The closing price of the Company's shares on 22 January 2008, the grant date of the 41,950,000 was HK$0.68 per share. The fair value of the share options determined at the date of grant using the Binomial Option Valuation pricing model was approximately HK$10,869,000.

46. SHARE OPTIONS SCHEMES (continued)

a. Share Option Scheme of the Company (continued)

The following assumptions were used to calculate the fair value of share options:

	22 January 2008
Grant date share price	HK$0.68
Exercise price	HK$0.724
Option life	10 years
Expected volatility	60%
Dividend yield	Nil
Risk-free interest rate	2.78%

Expected volatility of the Company was determined by using the historical volatility of the Company's weekly average share prices over the past two years. 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.

Share-based compensation expenses in respect of grant of the share options by the Company of approximately HK$10,869,000 was included in the administrative expenses for the year ended 31 December 2008 (2009: Nil).

b. Share option schemes of Global Digital Creations Holdings Limited (the "GDC Scheme") and GDC Technology (the "GDC Technology Scheme")

The GDC Scheme was adopted pursuant to a resolution passed at a special general meeting of GDC held on 18 July 2003 for the primary purpose of providing incentives or rewards to selected participants for their contribution to Global Digital Creations Holdings Limited ("GDC") and its subsidiaries. The GDC Scheme will expire on 4 August 2013.

An option may be exercised at any time during the period to be determined and notified by the directors of GDC to the grantee but may not be exercised after the expiry of ten years from the date of offer of that opinion. Option is fully vested at the date of grant and a consideration of HK$1 is payable upon acceptance of 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 on the date of offer, 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.

The GDC Technology Scheme was adopted pursuant to a resolution passed at a special general meeting of GDC held on 19 September 2006 for the primary purpose of providing incentives or rewards to eligible participants for their contribution to GDC Technology, its subsidiaries and its holding companies (including intermediate and ultimate holding companies). The GDC Technology Scheme will remain in force for a period of 10 years to 18 September 2016.

46. SHARE OPTIONS SCHEMES (continued)

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

Details of the GDC Scheme and the GDC Technology Scheme are disclosed in the section headed "Share Option Schemes" in the Report of the Directors.

The following table sets out the movements in the share options of GDC during the year ended 31 December 2009:

				Number of share options				
Category of grantees	Date of grant	Exercise period	Exercise price per share	Balance as at 1.1.2009	Transferred to other category during the year	Transferred from other category during the year	Cancelled/ lapsed during the year	Balance as at 31.12.2009
Directors of GDC	6.10.2006	6.10.2006 – 5.10.2009	HK$0.30	8,008,200	–	–	(8,008,200)[1]	–
	30.10.2007	30.10.2007 – 29.10.2012	HK$2.75	27,680,000	(12,000,000)[2]	–	–	15,680,000
Employees of GDC	22.3.2007	22.3.2007 – 21.3.2010	HK$1.07	2,300,000	–	–	–	2,300,000
	4.4.2007	4.4.2007 – 3.4.2010	HK$1.52	2,262,000	–	–	–	2,262,000
	30.10.2007	30.10.2007 – 29.10.2012	HK$2.75	9,900,000	–	–	–	9,900,000
Other participants (Notes)	6.10.2006	6.10.2006 – 5.10.2009	HK$0.3	2,500,820	–	–	(2,500,820)[1]	–
	4.4.2007	4.4.2007 – 3.4.2010	HK$1.52	1,781,000	–	–	–	1,781,000
	30.10.2007	30.10.2007 – 29.10.2012	HK$2.75	–	–	12,000,000[2]	(12,000,000)[2]	–
Totals				54,432,020	(12,000,000)	12,000,000	(22,509,020)	31,923,000

Notes:

1. Such share options were lapsed on 6 October 2009 according to the Scheme.

2. The share options were held by Ms. Lu Yi, Gloria who resigned as a director of GDC during the year and such share options were re-classified from the category of "Directors of GDC" to "Other participants" during the year. According to the GDC Scheme, such share options shall lapse on the expiry of the three months period following the date of cessation as a director of GDC. Accordingly, such share options were lapsed on 5 December 2009.

46. SHARE OPTIONS SCHEMES (continued)

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

The following table sets out the movements in the share options of GDC Technology during the year ended 31 December 2009:

Category of grantees	Date of grant	Exercise period	Exercise price per share	Number of share options: Balance as at 1.1.2009	Exercised during the year	Cancelled/ lapsed during the year	Balance as at 31.12.2009
Directors of GDC	29.9.2006	29.9.2006 – 28.9.2009	HK$0.145	**3,333**[1]	**–**	**(3,333)**[4]	**–**
	2.11.2007	2.11.2007 – 1.11.2012	HK$2	**17,280,000**	**–**	**(12,000,000)**[2]	**5,280,000**
Employees of GDC	5.10.2006	5.10.2006 – 4.10.2009	HK$0.145	**3,913,332**	**(130,000)**	**(3,783,332)**[3]	**–**
	2.11.2007	2.11.2007 – 1.11.2012	HK$2	**1,650,000**	**–**	**–**	**1,650,000**
Other participants (Note)	29.9.2006	29.9.2006 – 28.9.2009	HK$0.145	**853,333**	**(320,000)**	**(533,333)**[4]	**–**
Totals				**23,699,998**	**(450,000)**	**(16,319,998)**	**6,930,000**

Notes:

1. The number of share options granted to a director of GDC on 29 September 2006 exceeded the individual limit of 1% of the shares of GDC Technology then in issue and was approved by the shareholders of the Company and GDC on 19 September 2006 respectively.

2. Such share options were held by a director of GDC who resigned as a director of GDC during the year and such options were lapsed on 5 September 2009.

3. 1,361,666 share options were lapsed upon two grantees ceased to be employees of GDC Technology during the year and the remaining 2,421,666 share options were lapsed on 5 October 2009 according to the GDC Technology Scheme.

4. Such share options were lapsed on 29 September 2009 according to the GDC Technology Scheme.

Note: Other participants mainly represent employees of the Group other than employees of GDC.

46. SHARE OPTIONS SCHEMES (continued)

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

The following table sets out the movements in the share options of GDC during the year ended 31 December 2008:

				Number of share options				
Category of grantees	Date of grant	Exercise period	Exercise price per share	Balance as at 1.1.2008	Transferred to other category during the year	Transferred from other category during the year	Cancelled/ lapsed during the year	Balance as at 31.12.2008
Directors of GDC	6.10.2006	6.10.2006 – 5.10.2009	HK$0.30	8,809,020	(800,820)	–	–	8,008,200
	30.10.2007	30.10.2007 – 29.10.2012	HK$2.75	28,170,000	(490,000)	–	–	27,680,000
Employees of GDC	22.3.2007	22.3.2007 – 21.3.2010	HK$1.07	2,300,000	–	–	–	2,300,000
	4.4.2007	4.4.2007 – 3.4.2010	HK$1.52	2,262,000	–	–	–	2,262,000
	30.10.2007	30.10.2007 – 29.10.2012	HK$2.75	9,900,000	–	–	–	9,900,000
Other participants	6.10.2006	6.10.2006 – 5.10.2009	HK$0.30	2,500,820	–	800,820	(800,820)	2,500,820
(Note)	4.4.2007	4.4.2007 – 3.4.2010	HK$1.52	1,781,000	–	–	–	1,781,000
	30.10.2007	30.10.2007 – 29.10.2012	HK$2.75	–	–	490,000	(490,000)	–
Totals				55,722,840	(1,290,820)	1,290,820	(1,290,820)	54,432,020

46. SHARE OPTIONS SCHEMES (continued)

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

The following table sets out the movements in the share options of GDC Technology during the year ended 31 December 2008:

Category of grantees	Date of grant	Exercise period	Exercise price per share	Number of share options Balance as at 1.1.2008	Cancelled/ lapsed during the year	Balance as at 31.12.2008
Directors of GDC	29.9.2006	29.9.2006 – 28.9.2009	HK$0.145	3,333	–	3,333
	2.11.2007	2.11.2007 – 1.11.2012	HK$2.00	17,445,000	(165,000)	17,280,000
Employees of GDC	5.10.2006	5.10.2006 – 4.10.2009	HK$0.145	4,563,332	(650,000)	3,913,332
	2.11.2007	2.11.2007 – 1.11.2012	HK$2.00	1,650,000	–	1,650,000
Other participants (Note)	29.9.2006	29.9.2006 – 28.9.2009	HK$0.145	1,173,333	(320,000)	853,333
Totals				24,834,998	(1,135,000)	23,699,998

Note: Other participants mainly represent employees of the Group other than employees of GDC.

47. 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 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$205,000 (2008: HK$105,000) payable to the Retirement Schemes at 31 December 2009 are included in other payables and accruals. There was no forfeited contribution throughout the year (2008: Nil).

48. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the following four events were noted:

(a) The Borrower repaid part of the principal amount of Loan Receivable and the accrued interest thereon amounting to approximately HK$113.6 million. Details of the Loan Receivable and accrued interest thereon which are classified as convertible loan receivables, are disclosed in note 34.

(b) On 16 March 2010, SCG Investment (BVI) Limited ("SCG Investment BVI"), a wholly-owned subsidiary of the Company, entered into a share transfer agreement with a purchaser and a guarantor, pursuant to which SCG Investment BVI agreed to sell to the purchaser the entire issued share capital of Grand Award Limited for US$1 and to assign the loan to the purchaser for HK$247,920,000 ("the Disposal"). The Disposal is subject to the approval by the shareholders of the Company at a general meeting of the Company and is not yet completed up to the date of this report.

The sole asset of Grand Award Limited is its interest in the entire issued share capital of Grand Perfect Investment Limited, an investment holding company incorporated in Hong Kong which in turn holds the entire registered capital of 首方投資管理（深圳）有限公司 ("Capital Steel").

Capital Steel is a wholly foreign-owned enterprise established in the PRC and is mainly engaged in investment holding and development and management of finance and assets investments. Capital Steel holds 90% equity interests in 天津首方投資管理有限公司 and 80% equity interests in 四方源創國際影視文化傳播（北京）有限公司.

Details of the Disposal are set out in the announcement of the Company dated 16 March 2010. The Directors are still estimating the potential impact of the transaction.

(c) On 30 March 2010, the Group entered into a sale and purchase agreement with an independent third party (the "Vendor") pursuant to which the Vendor agreed to sell to the Group a 68% interest in 廣東時尚置業有限公司 (the "Target"), a limited liability company established in the PRC for a consideration of RMB56,060,000 (equivalent to approximately HK$63,755,000). The assets held by Target are primarily the contractual right to lease 珠影文化產業園. The Target entered into a framework agreement on 28 March 2007 (as supplemented on 3 April 2008) with 珠江電影製片有限公司 to redevelop 珠影文化產業園. Pursuant to the arrangement, the Target and 珠江電影製片有限公司 will jointly redevelop 珠影文化產業園 and the Target will obtain the leasing right of 珠影文化產業園 for a term up to 31 December 2045 upon completion of the redevelopment work. Details of the transaction are set out in the announcement of the Company on 30 March 2010 (the "Announcement").

The completion of the transaction is subject to fulfilment of conditions as set out in the Announcement. The transaction has not been completed at the date these consolidated financial statements are authorised for issuance.

48. EVENTS AFTER THE REPORTING PERIOD (continued)

(d) GDC, a subsidiary of the Company whose shares are listed on the Growth Enterprise Market of the Stock Exchange, announced on 15 April 2010 that on 7 April 2010, it received an original complaint for damages and injunctive relief, and demand for jury trial (the "Proceeding") filed with the District Court, Central District of California Western Division of the United States by X6D Limited, X6D USA Inc. and XpanD, Inc. on 30 March 2010 against, among others, GDC and its subsidiaries namely GDC Technology, GDC Technology China Limited and GDC Technology (USA) LLC (collectively, the "Defendants") for copyright infringement, design patent infringement, misrepresentation of origin of goods, misappropriation of trade secrets, unfair competition, breach of contract and tortuous interference with contractual and business relations in relation to the 3D glasses sold by the Defendants. Sale of 3D glasses is not a core business of the Group. GDC is seeking legal advice and in the process of collecting information in relation to the Proceeding. Since the Proceeding is in a preliminary stage, the Directors cannot assess the outcome of the litigation.

49. RELATED PARTY TRANSACTIONS

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

	Notes	2009 HK$'000	2008 HK$'000
(i) Rental income received from Gold Regal Limited, an associate of Shougang Holding	(a)	**142**	142
(ii) Consultancy expense charged by Shougang Holding	(b)	**960**	960
(iii) Management fee charged by Shougang Concord International Enterprises Company Limited ("Shougang International"), an associate Shoungang Holding	(b)	**4,085**	1,140
(iv) Interest expense charged by Shougang (Hong Kong) Finance Company Limited, a wholly-owned subsidiary of Shougang Holding	(b)	**–**	614

Notes:

(a) The transaction was carried out in accordance with the relevant lease agreements.

(b) The transaction was carried out in accordance with the relevant agreements.

At 31 December 2009, the Group's held-for-trading investments included listed securities of 13,870,000 shares (2008: 13,870,000 shares) of Shougang Concord Century Holdings Limited ("Shougang Century"), 40,000 shares (2008: 13,766,000 shares) of Shougang Concord Technology Holdings Limited ("Shougang Technology") and 230,000 shares (2008: 230,000 shares) of Shougang International. Shougang Century, Shougang Technology and Shougang International are associates of Shougang Holding.

49. RELATED PARTY TRANSACTIONS (continued)

(b) Compensation of key management personnel

The remuneration of the Directors and other members of key management during the year was as follows:

	2009 HK$'000	2008 HK$'000
Short-term benefits	**21,962**	19,251
Share-based payments	**–**	10,869
Post-employment benefit	**285**	296
	22,247	30,416

The remuneration of the Directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

During the year ended 31 December 2008, 41,950,000 share options with an exercise price of HK$0.724 per share were granted to the Directors (2009: Nil).

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 end of the reporting period are set out in the consolidated statement of financial position and in notes 39.

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of principal subsidiaries at 31 December 2009 are as follows. The details of changes of subsidiaries as compared with 2008 are set out in Notes (f) and (h):

Name of subsidiary	Place of incorporation or establishment/ operation	Issued and fully paid share capital/ contributed capital (Note (a))	Effective equity interest attributable to the Group	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	PRC (Note (b))	HK$230,000,000	100%	Investment holding
Concord Grand TV & Movie Investment Limited	BVI	US$1	100%	Investment holding
Dunley Developments Limited	BVI	US$1	100%	Investment holding
Durali Developments Limited	BVI	US$1	100%	Investment holding
GDC Asset Management Limited	BVI (Note (g))	US$1	53%	Investment holding
GDC China Limited	Hong Kong (Note (g))	HK$2	53%	Investment holding
GDC Digital Cinema Network Limited	BVI (Note (g))	US$1	53%	Investment holding

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

Name of subsidiary	Place of incorporation or establishment/ operation	Issued and fully paid share capital/ contributed capital (Note (a))	Effective equity interest attributable to the Group	Principal activities
Indirect subsidiaries – continued				
GDC Digital Cinema Network Limited	Hong Kong (Note (g))	HK$1	53%	Deployment of digital cinema equipment
GDC Holdings Limited	BVI (Note (g))	US$5,214,181	53%	Investment holding
GDC International Limited	Samoa (Note (g))	US$1	53%	Provision of CG animation creation and production services
GDC Management Services Limited	Hong Kong (Note (g))	HK$2	53%	Provision of administrative and management services
GDC Technology	BVI (Note (i))	HK$23,304,509	33%	Provision of computing solutions for digital content distribution and exhibitions in a worldwide basis
GDC Technology (Hong Kong) Limited	Hong Kong (Note (i))	HK$2	33%	Provision of computing solutions for digital content distribution and exhibitions
GDC Technology Pte. Ltd.	Singapore (Note (i))	S$900,000	33%	Provision of computing solutions for digital content distribution and exhibitions in a worldwide basis

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

Name of subsidiary	Place of incorporation or establishment/ operation	Issued and fully paid share capital/ contributed capital (Note (a))	Effective equity interest attributable to the Group	Principal activities
Indirect subsidiaries – continued				
GDC Technology (USA), LLC	United States (Note (i))	US$1,000	33%	Provision of computing solutions for digital content distribution and exhibitions
GDC (Note (c))	Bermuda	HK$12,952,455	53%	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
環球數碼媒體科技（上海）有限公司 Institute of Digital Media Technology (Shanghai) Limited	PRC (Note (b)) (Note (g))	US$1,300,000	53%	Provision of CG animation training in the PRC
環球數碼媒體科技研究（深圳）有限公司 Institute of Digital Media Technology (Shenzhen) Limited	PRC (Note (b)) (Note (g))	US$35,353,896	53%	Provision of CG and animation training, development of multimedia software and hardware, and provision of related technical consultancy services in the PRC

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

Name of subsidiary	Place of incorporation or establishment/ operation	Issued and fully paid share capital/ contributed capital (Note (a))	Effective equity interest attributable to the Group	Principal activities
Indirect subsidiaries – continued				
Jeckman Holdings Limited	BVI	US$100	100%	Investment holding
Linksky Limited	Hong Kong	HK$2	100%	Property holding
Long Cosmos Investment Limited	Hong Kong	HK$2	100%	Provision of administrative and 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
SCG Leasing Corporation Limited	Hong Kong	HK$2	100%	Property investment
Shougang GDC Media Holding Limited	Hong Kong (Note (g))	HK$1	53%	Investment holding
South China Leasing	PRC (Note (d)) (Note (h))	US$24,000,000	100%	Leasing of property, plant and equipment

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

Name of subsidiary	Place of incorporation or establishment/ operation	Issued and fully paid share capital/ contributed capital (Note (a))	Effective equity interest attributable to the Group	Principal activities
Indirect subsidiaries – continued				
Strenbeech Limited	BVI	HK$147,000,008	100%	Investment holding
天津首方投資管理有限公司	PRC (Note (d))	RMB130,000,000	90%	Development of finance and assets investment and management
Tin Fung Investment Company, Limited	Hong Kong	HK$975,000 (ordinary) HK$210,000 (non-voting deferred)	100%	Property investment
Upper Nice Assets Ltd.	BVI	US$1	100%	Investment holding
Valuework Investment Holdings Limited	BVI	US$100	100%	Investment holding
四方源創國際影視文化傳播（北京）有限公司	PRC (Note (d))	RMB20,000,000	80%	Production of films and television programme series
廣東四方源創動畫製作有限公司	PRC (Note (d))	RMB10,000,000	64%	Provision of graphic animation creation
東陽市四方源創影視製作有限公司	PRC (Note (d))	RMB1,000,000	80%	Production of films and television programme series
東陽方源影視製作有限公司	PRC (Note (d))	RMB1,000,000	80%	Products of films and television programme series

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

Name of subsidiary	Place of incorporation or establishment/ operation	Issued and fully paid share capital/ contributed capital (Note (a))	Effective equity interest attributable to the Group	Principal activities
Indirect subsidiaries – continued				
杭州四方源創動畫製作有限公司	PRC (Note (d))	RMB3,000,000	64%	Provision of graphic animation creation
深圳市環球數碼科技有限公司	PRC (Note (d)) (Note (i))	RMB3,000,000	33%	Provision of computing solutions for digital content distribution and exhibition
深圳市環球數碼影視文化有限公司	PRC (Note (d)) (Note (g))	RMB3,000,000	53%	Animation investment
重慶環球數碼動畫有限公司	PRC (Note (b)) (Note (g))	RMB10,000,000	53%	Provision of CG and animation training, development of multimedia software and hardware, and provision of related technical consultancy services in the PRC
深圳市南山區環球數碼培訓學校	PRC (Note (e)) (Note (g))	RMB200,000	53%	Provision of CG and animation training in the PRC
上海環球數碼職業技能培訓學校	PRC (Note (e)) (Note (g))	RMB200,000	53%	Provision of CG and animation training in the PRC

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

Name of subsidiary	Place of incorporation or establishment/ operation	Issued and fully paid share capital/ contributed capital (Note (a))	Effective equity interest attributable to the Group	Principal activities
Indirect subsidiaries – continued				
北京科創環球數碼技術有限公司	PRC (Note (d)) (Note (i))	RMB200,000	33%	Provision of computer solutions for digital content distribution and exhibition
重慶北部新區環球數碼動畫職業培訓學校	PRC (Note (e)) (Note (f)) (Note (g))	RMB100,000	53%	Provision of CG and animation training in the PRC

Note:

(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 Growth Enterprise Market of the Stock Exchange.

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

(e) These entities are school.

(f) The subsidiary was newly established/incorporated in current year.

(g) 100% ownership interest of these subsidiaries are held by a 53% owned subsidiary of the Group.

(h) This entity became a wholly-owned subsidiary of the Group in 2009. As at 31 December 2008, the Group held 80% equity interest in this entity.

(i) 62% ownership interest of these subsidiaries are held by a 53% owned subsidiary of the Group.

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.

Details of the Group's major properties at the end of the reporting period are as follows:

LOCATION	EXISTING USE	LEASE TERM	ATTRIBUTABLE INTEREST OF THE GROUP
Investment properties			
1. Units A and B on all of 3rd, 6th and 9th Floors and 26 car parking spaces on 4th Floor, Tin Fung Industrial Mansion, 63 Wong Chuk Hang Road, Aberdeen, Hong Kong	Industrial	Long	100%
2. 16th Floor and roof and car parking space nos. 7, 8 and 9, Manson Industrial Building, S.I.L. 739 A Kung Ngam Road, A Kung Ngam, Shaukeiwan, Hong Kong	Industrial	Long	100%
3. Flat 55 on 15th Floor of Tower 8 (of Parkview Rise) and Carparking Space No.283 on Car Park Entrance 3 (Level 4) Hong Kong Parkview, No. 88 Tai Tam Reservoir Road, Tai Tam, Hong Kong	Residential	Long	100%
4. Flat 9 on 23rd Floor and Flat 7 on 25th Floor, Apartment Tower on the Western Side, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong	Residential	Long	100%

LOCATION		EXISTING USE	LEASE TERM	ATTRIBUTABLE INTEREST OF THE GROUP
Investment properties (continued)				
5.	Flat 1612 of Block Q and Flat 2904 of Block R, Kornhill, Quarry Bay, Hong Kong	Residential	Long	100%
6.	Room 2907 on 29th Floor, West Tower, Shun Tak centre, Nos. 168-200 Connaught Road Central, Hong Kong	Commercial	Long	100%
7.	A space known as A35 on Ground Floor, Villa Verde, Guildford Road, The Peak, Hong Kong	Residential	Long	100%
8.	Flat 2602 of Block N, Kornhill, Quarry Bay, Hong Kong	Residential	Long	100%
Buildings				
1.	Eight Offices on 23rd Floor, Times Financial Centre, No. 4001 Shennan Road, Futian District, Shenzhen, Guangdong Province, The People's Republic of China	Commercial	Long	100%

	For the year ended 31 December				
	2005 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000	**2009 HK$'000**
RESULTS					
Revenue	45,811	90,629	284,303	308,181	**494,541**
Cost of sales	(43,666)	(53,670)	(193,371)	(262,550)	**(358,142)**
Write-down for production work in progress	(24,712)	–	–	–	**–**
Gross (loss) profit	(22,567)	36,959	90,932	45,631	**136,399**
Other income	4,564	9,732	23,369	12,035	**26,967**
Interest income from entrusted loan receivables	–	–	–	3,674	**5,686**
Distribution costs and selling expenses	(2,535)	(6,932)	(5,553)	(14,240)	**(12,674)**
Administrative expenses	(99,308)	(83,474)	(156,036)	(128,233)	**(118,286)**
Finance costs	(7,007)	(10,132)	(4,873)	(6,046)	**(3,639)**
Share of results of:					
Jointly controlled entity (net of amortisation of goodwill)	428	1,531	–	–	**–**
Associates	(248)	(1,073)	7,255	(857)	**(287)**
(Loss) gain on disposal of partial interests in subsidiaries	(12,345)	26,506	–	–	**–**
Impairment loss on goodwill arising from acquisition of a subsidiary	(191,457)	–	–	–	**–**
Increase (decrease) in fair value of investment properties	14,400	8,500	31,130	(15,960)	**24,961**
Discount on acquisition of additional interest in a subsidiary	–	–	1,342	–	**2,154**
Gain (loss) on disposal and dilution of interests in subsidiaries	–	–	375,680	–	**(165)**
Gain on disposal of interest in a jointly controlled entity	–	–	61,039	–	**–**
Changes in fair value of held-for-trading investments	(2,180)	3,308	23,713	(30,011)	**10,436**
Other expense	–	–	–	(22,202)	**–**
(Loss) profit before tax	(318,255)	(15,075)	447,998	(156,209)	**71,552**
Income tax expense	(2,372)	(1,103)	(6,785)	(1,540)	**(13,013)**
(Loss) profit for the year	(320,627)	(16,178)	441,213	(157,749)	**58,539**
Attributable to:					
Owners of the Company	(316,796)	(15,204)	425,661	(119,446)	**38,696**
Minority interests	(3,831)	(974)	15,552	(38,303)	**19,843**
	(320,627)	(16,178)	441,213	(157,749)	**58,539**

	As at 31 December				
	2005	2006	2007	2008	**2009**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	461,840	457,164	2,566,391	2,418,299	**2,108,075**
Total liabilities	(253,437)	(235,601)	(1,598,035)	(1,547,125)	**(1,210,703)**
	208,403	221,563	968,356	871,174	**897,372**
Equity attributable to owners of the Company	204,395	212,010	635,814	551,644	**608,995**
Share options reserve of subsidiaries	–	5,907	55,249	54,603	**33,120**
Minority interests	4,008	3,646	277,293	264,927	**255,257**
	208,403	221,563	968,356	871,174	**897,372**