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

(Incorporated in Bermuda with limited liability)
(Stock Code: 8271)

FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2011

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the "Directors") of Global Digital Creations Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

* *For identification purpose only*

FIRST QUARTERLY RESULTS

The board of Directors of the Company (the "Board") is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (the "Group") for the three months ended 31 March 2011 with comparative figures for the corresponding period in the year 2010.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2011

		Three months ended 31 March	
		2011	2010
	NOTES	***HK$'000***	*HK$'000*
Revenue	*3*	**134,263**	123,169
Cost of sales		**(72,716)**	(67,555)
Gross profit		**61,547**	55,614
Other income and gains	*4*	**1,727**	4,133
Distribution costs and selling expenses		**(8,023)**	(2,368)
Administrative expenses		**(28,086)**	(14,123)
Finance costs	*5*	**(2,597)**	–
Other expenses and losses	*6*	**(2,673)**	(1,707)
Share of result of an associate		**(35)**	1
Profit before tax		**21,860**	41,550
Income tax expense	*7*	**(6,400)**	(3,518)
Profit for the period		**15,460**	38,032
Other comprehensive income:			
Exchange differences arising on translation of foreign operations		**3,722**	–
Total comprehensive income for the period		**19,182**	38,032
Profit for the period attributable to:			
Owners of the Company		**3,460**	24,541
Non-controlling interests		**12,000**	13,491
		15,460	38,032
Total comprehensive income for the period attributable to:			
Owners of the Company		**6,348**	24,541
Non-controlling interests		**12,834**	13,491
		19,182	38,032
		HK cents	*HK cents*
Earnings per share:	*8*		
Basic		**0.27**	1.89
Diluted		**0.27**	1.89

NOTES:

1. BASIS OF PREPARATION

The unaudited condensed consolidated statement of comprehensive income has been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

2. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated statement of comprehensive income has been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The accounting policies used in the unaudited condensed consolidated statement of comprehensive income are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010.

In the current period, the Group has applied, for the first time, a number of new Interpretation, amendments to Standards and Interpretation ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants, which are effective for the financial year beginning on 1 January 2011. The adoption of these new HKFRSs had no material effect on the unaudited condensed consolidated statement of comprehensive income of the Group for the current or prior accounting periods.

The Group has not early applied the following new Standard and amendments to Standards that have been issued but are not yet effective.

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
HKFRS 9	Financial Instruments[3]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[2]

[1] Effective for annual periods beginning on or after 1 July 2011.
[2] Effective for annual periods beginning on or after 1 January 2012.
[3] Effective for annual periods beginning on or after 1 January 2013.

3. REVENUE

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

	Three months ended 31 March	
	2011	2010
	HK$'000	*HK$'000*
Sales of goods	**119,967**	100,812
Revenue from contracts for computer graphic ("CG") creation and production	**4,500**	7,046
Training fee	**4,071**	5,045
Technical service income	**4,113**	7,851
Revenue from provision of assembly and integration services	**1,420**	2,232
Rental income	**192**	183
	134,263	123,169

4. OTHER INCOME AND GAINS

	Three months ended 31 March	
	2011	2010
	HK$'000	*HK$'000*
Interest income	**836**	1,614
Government grants	**299**	1,793
Changes in fair value of held-for-trading investments	**–**	725
Others	**592**	1
	1,727	4,133

5. FINANCE COSTS

	Three months ended 31 March	
	2011	2010
	HK$'000	*HK$'000*
Interest on:		
Bank borrowing not wholly repayable within five years	**2,492**	–
Bank borrowings wholly repayable within five years	**105**	528
Total borrowing costs	**2,597**	528
Less: amounts capitalised in the cost of qualifying assets	**–**	(528)
	2,597	–

6. OTHER EXPENSES AND LOSSES

	Three months ended 31 March	
	2011	2010
	HK$'000	*HK$'000*
Research and development costs	**2,147**	1,707
Changes in fair value of held-for-trading investments	**526**	–
	2,673	1,707

7. INCOME TAX EXPENSE

	Three months ended 31 March	
	2011	2010
	HK$'000	*HK$'000*
Current tax:		
PRC Enterprise Income Tax ("EIT")	**3,662**	3,518
Hong Kong	**2,700**	–
Other jurisdictions	**38**	–
	6,400	3,518

For the three months ended 31 March 2011, the relevant EIT rates for the Group's subsidiaries in the People's Republic of China (the "PRC", for the purpose of this announcement, does not include Hong Kong, Macau and Taiwan) ranged from 24% to 25% (2010: 22% to 25%). Pursuant to the relevant laws and regulations in the PRC, a PRC subsidiary is exempted from PRC EIT for two years starting from its first profit making year which was in 2007, followed by a 50% reduction for the next three years.

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

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

8. EARNINGS PER SHARE

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

	Three months ended 31 March	
	2011	2010
	HK$'000	*HK$'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share (Profit for the period attributable to owners of the Company)	**3,460**	24,541
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,295,256**	1,295,246
Effect of dilutive potential ordinary shares:		
– share options issued by the Company	**3,339**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,298,595**	1,295,246

9. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital	Share premium reserve	Capital contribution reserve	Contributed surplus reserve	Statutory reserve	Share options reserve	Exchange reserve	Special reserve	Retained earnings	Attributable to owners of the Company	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2011	**12,953**	**36**	**445**	**245,881**	**6,362**	**41,104**	**31,659**	**(42,140)**	**97,478**	**393,778**	**176,612**	**570,390**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,460**	**3,460**	**12,000**	**15,460**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**2,888**	**-**	**-**	**2,888**	**834**	**3,722**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**2,888**	**-**	**3,460**	**6,348**	**12,834**	**19,182**
At 31 March 2011	**12,953**	**36**	**445**	**245,881**	**6,362**	**41,104**	**34,547**	**(42,140)**	**100,938**	**400,126**	**189,446**	**589,572**
At 1 January 2010	12,952	–	445	245,881	6,362	27,345	21,565	(46,366)	61,289	329,473	80,432	409,905
Profit for the period and total comprehensive income for the period	–	–	–	–	–	–	–	–	24,541	24,541	13,491	38,032
Sub-total	12,952	–	445	245,881	6,362	27,345	21,565	(46,366)	85,830	354,014	93,923	447,937
Lapse of share options granted	–	–	–	–	–	(2,032)	–	–	2,032	–	–	–
At 31 March 2010	12,952	–	445	245,881	6,362	25,313	21,565	(46,366)	87,862	354,014	93,923	447,937

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2011 (2010: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Overview

Revenue for the three months ended 31 March 2011 is HK$134,263,000, when comparing with that of HK$123,169,000 for the corresponding period in the year 2010, representing an increase of 9%. The increase is mainly attributable to an increase in sales of goods by HK$19,155,000. Attributable to the continuous roll-out of digital cinemas worldwide, more digital cinema equipment is sold during the period.

Cost of sales for the three months ended 31 March 2011 amounts to HK$72,716,000, when comparing with that of HK$67,555,000 for the corresponding period in the year 2010, representing an increase of 8%. The increase is mainly due to the increase in the costs of goods sold.

The Group records a gross profit of HK$61,547,000 for the three months ended 31 March 2011, when comparing with that of HK$55,614,000 for the corresponding period in the year 2010, representing an increase of 11%. The Group's gross profit margin for the three months ended 31 March 2011 amounts to 46% (2010: 45%). The slight improvement in gross profit margin is mainly attributable to the slight change in product sales mix.

Other income and gains for the three months ended 31 March 2011 amount to HK$1,727,000 (2010: HK$4,133,000), representing a decrease of 58%. The decrease is mainly due to decreases in government grants and interest income by HK$1,494,000 and HK$778,000, respectively.

Distribution costs and selling expenses for the three months ended 31 March 2011 amount to HK$8,023,000 (2010: HK$2,368,000), representing an increase of 239%. The increase is mainly due to more exhibition, travelling and promotion costs spent to explore new markets, an increase in sales commission which is in line with an increase in sales of goods, and marketing expenses spent in relation to 珠影文化產業園 (Pearl River Film Cultural Park*).

Administrative expenses for the three months ended 31 March 2011 amount to HK$28,086,000 (2010: HK$14,123,000), representing an increase of 99%. The increase is mainly due to higher staff costs and office operating expenses as a result of the growth in the scale of operations of the Group. Besides, upon completion of the Group's construction of the headquarters building in Shenzhen in late 2010, depreciation and amortisation for the period increase by HK$3,865,000 to HK$4,534,000.

Finance costs for the three months ended 31 March 2011 amount to HK$2,597,000 (2010: Nil), which mainly include interest on bank borrowing for the headquarters building in Shenzhen that is not eligible for capitalisation upon completion of the construction.

Overall, the Group records a profit of HK$3,460,000 for the three months ended 31 March 2011 attributable to owners of the Company, when comparing with that of HK$24,541,000 for the corresponding period in the year 2010, representing a decrease of 86%.

Basic and diluted earnings per share for the three months ended 31 March 2011 amounted to HK0.27 cents (2010: HK1.89 cents), representing a decrease of 86% when comparing with that for the corresponding period in the year 2010.

Business Review And Outlook

Digital content distribution and exhibitions

As a result of an increase in orders of digital cinema equipment from customers in the PRC and worldwide during the three months ended 31 March 2011, sales of goods from the digital content distribution and exhibitions division reported an increment of 19% to HK$119,967,000 for the period when comparing with that for the corresponding period in the year 2010. Despite keen competition and price pressure in the digital cinema industry, the Group continues to experience sales growth by virtue of its enhanced product features and better service network.

The Group continues to strengthen its research and development team in order to identify and address customer needs and respond to demands in the digital cinema industry. During the period, the Group is the first digital cinema equipment manufacturer to receive Federal Information Processing Standards (FIPS) 140-2 Level 3 validation certificate for its integrated media block ("IMB") that meets the standard Digital Cinema Initiative ("DCI") specifications. Besides, the Group demonstrates a new feature of its digital cinema server at CinemaCon 2011 where its server with IMB is shown running with 4K DLP Cinema® projector. The Group also continues to promote its theatre management system, which is a powerful tool that allows users to automate and streamline the operations of an entire cinema multiplex from a centralised point of control. With the new feature of servers and other products such as theatre automation and management, network operation centre software, cinema digital signage and integrated projection system and provision of digital post-production services, the Group is capable of offering an all-round digital cinema solution for digital cinema, on-screen advertisement and out-of-home advertisement businesses.

Deployment of digital cinema network

The Group has entered into non-exclusive virtual print fee ("VPF") agreements with all the six major Hollywood studios for digital cinema deployment in certain Asian countries or cities and signed up with two major exhibitors each in Hong Kong and Japan to participate in the VPF arrangements. The Group endeavors not only to enter into more similar exhibitor agreements in Japan and other Asian jurisdictions, but also to explore the opportunity to extend the VPF arrangements with the studios to jurisdictions outside Asia in the coming future.

CG creation and production

Due to depression in the international animation production industry, revenue from contracts for CG creation and production decreases by 36% to HK$4,500,000 for the three months ended 31 March 2011 when comparing with that for the corresponding period in the year 2010. Fortunately, the situation is significantly improved recently, the Group currently has four CG production projects from Australia, Europe and North America in progress. The orders on hand have already exceeded that in the year 2010 and there are several projects under negotiation as well. At the same time, the Group is actively looking for new customers, and is now discussing with several renowned directors, producers, and large international animation content production and distribution companies for co-production projects. In view of the Group's demonstrated track record of providing reliable, cost-effective, high-quality CG production services to international markets, many customers express interest in developing long-term and multi-project relationships with the Group, including 3D films and CG television series.

The Group's diversification in intellectual property ("IP") investment achieves a preliminary success. At present, two 3D-animated films are currently in post-production stages while one CG-animated television series are nearly completed, they are planned to be released during the year 2011. Besides, one traditional-animated television series are completed and being distributed both domestically and internationally. In view of the growing 3D film and television market worldwide and the animation industry in the PRC, the Group continues to invest in own IP assets and plans to expand to related businesses.

CG training

For the three months ended 31 March 2011, due to greater competition in the market and recent office relocation, training fee from CG training division decreases by 19% to HK$4,071,000 when comparing with that for the corresponding period in the year 2010. Not only upgrading the existing training courses with the latest CG technology, the Group also organises new professional training programmes in other areas in response to market demands. Besides, the Group continues to co-operate with prominent colleges in the PRC to organise "Skills and Qualifications" training programme for their students in achieving "One Course, Multiple Certifications", and to hone their practical skills to prepare for immediate employment after graduation.

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

Cultural park

During the three months ended 31 March 2011, the construction work for the redevelopment of Phase I of 珠影文化產業園 (Pearl River Film Cultural Park*) is commenced with an aggregate consideration of approximately HK$92.0 million. Given the rapid economic growth and the rapid development of the retail and recreation market in the PRC, the Group is of the view that the redevelopment of the Pearl River Film Cultural Park provides a good opportunity for the Group to tap into the rapid media entertainment and property development business in the PRC.

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 three months ended 31 March 2011.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices set out in Appendix 15 of the GEM Listing Rules throughout the three months ended 31 March 2011.

COMPLIANCE WITH CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries with the Directors, all Directors confirmed that they have complied with such code of conduct and the required standard of dealings regarding securities transactions by the Directors throughout the three months ended 31 March 2011.

AUDIT COMMITTEE

The Group's first quarterly results for the three months ended 31 March 2011 were unaudited. The Company's audit committee (the "Audit Committee") has reviewed the 2011 unaudited first quarterly results of the Group. A meeting of the Audit Committee was held with the management of the Company for, amongst other things, reviewing the first quarterly results of the Group for the three months ended 31 March 2011.

APPRECIATION

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

By Order of the Board
Li Shaofeng
Chairman

Hong Kong, 6 May 2011

As at the date of this announcement, the Board comprises Mr. Li Shaofeng (Chairman and Executive Director), Mr. Chen Zheng (Managing Director and Executive Director), Mr. Jin Guo Ping (Deputy Managing Director and Executive Director), Mr. Leung Shun Sang, Tony (Non-executive Director), Mr. Kwong Che Keung, Gordon (Independent non-executive Director), Mr. Hui Hung, Stephen (Independent non-executive Director) and Prof. Japhet Sebastian Law (Independent non-executive Director).

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