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 2010

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 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: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* *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 2010 with comparative figures for the corresponding period in the year 2009.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2010

		Three months ended 31 March	
		2010	2009
	NOTES	***HK$'000***	*HK$'000*
Revenue	*3*	**123,169**	71,120
Cost of sales		**(67,555)**	(52,588)
Gross profit		**55,614**	18,532
Other income	*4*	**3,408**	6,605
Distribution costs and selling expenses		**(2,143)**	(1,927)
Administrative expenses		**(16,055)**	(15,076)
Changes in fair value of held-for-trading investments		**725**	(327)
Finance costs	*5*	**–**	(475)
Share of result of an associate		**1**	(165)
Profit before tax		**41,550**	7,167
Income tax expense	*6*	**(3,518)**	(1,034)
Profit for the period		**38,032**	6,133
Other comprehensive expense:			
Exchange differences on translation of foreign operations		**–**	(54)
Total comprehensive income for the period		**38,032**	6,079
Profit for the period attributable to:			
Owners of the Company		**24,541**	4,365
Minority interests		**13,491**	1,768
		38,032	6,133
Total comprehensive income for the period attributable to:			
Owners of the Company		**24,541**	4,331
Minority interests		**13,491**	1,748
		38,032	6,079
		HK cents	*HK cents*
Earnings per share:	*7*		
Basic and diluted		**1.89**	0.34

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.

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 financial statements for the year ended 31 December 2009.

In the current period, the Group has applied, for the first time, a number of revised Standard, 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 2010. The adoption of these new HKFRSs had no material effect on how the results of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

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.

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

1 Effective for annual periods beginning on or after 1 February 2010.
2 Effective for annual periods beginning on or after 1 July 2010.
3 Effective for annual periods beginning on or after 1 January 2011.
4 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	
	2010	2009
	HK$'000	*HK$'000*
Sales of goods	**100,812**	50,611
Revenue from contracts for computer graphic ("CG") creation and production	**7,046**	14,555
Training fee	**5,045**	4,508
Technical service income	**7,851**	394
Revenue from provision of assembly and integration services	**2,232**	–
Rental income from equipment leasing	**183**	482
Royalty income from share of box office receipts	**–**	570
	123,169	71,120

4. OTHER INCOME

Other income for the three months ended 31 March 2009 included a gain of approximately HK$2,543,000 on disposal of intangible asset to China Film Group Corporation ("CFGC"), the majority shareholder of an associate of the Group, and the relevant imputed interest income derived from the deferred consideration. The disposal was approved by shareholders of the Company at the Special General Meeting on 17 February 2009. Details of the disposal were set out in the circular of the Company dated 23 January 2009.

5. FINANCE COSTS

	Three months ended 31 March	
	2010	2009
	HK$'000	*HK$'000*
Interest on:		
Bank borrowings wholly repayable within five years	**528**	196
Loan from a fellow subsidiary	**–**	279
Total borrowing costs	**528**	475
Less: amounts capitalised in the cost of qualifying assets	**(528)**	–
	–	475

6. INCOME TAX EXPENSE

	Three months ended 31 March	
	2010	2009
	HK$'000	*HK$'000*
Current tax:		
PRC Enterprise Income Tax ("EIT")	**3,518**	1,034

Under the Law of the People's Republic of China (the "PRC", for the purpose of this announcement, does not include Hong Kong, Macau and Taiwan) on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the EIT rate of certain Group's subsidiaries 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 three months ended 31 March 2010, the relevant tax rates for the Group's subsidiaries in the PRC range from 22% to 25% (2009: 20% to 25%).

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

7. 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	
	2010	2009
	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)	**24,541**	4,365
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**1,295,246**	1,295,246

The computation of diluted earnings per share for the three months ended 31 March 2010 and 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 for both periods.

8. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital	Capital contribution reserve	Contributed surplus reserve	Statutory reserve	Share options reserve	Exchange reserve	Special reserve	Retained earnings	Attributable to owners of the Company	Share options reserve of a subsidiary	Minority 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 2010	**12,952**	**445**	**245,881**	**6,362**	**27,345**	**21,565**	**(46,366)**	**61,289**	**329,473**	**5,775**	**74,657**	**409,905**
Profit 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**	**5,775**	**88,148**	**447,937**
Cancellation 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**	**5,775**	**88,148**	**447,937**
At 1 January 2009	12,952	445	245,881	680	38,765	21,599	(46,366)	31,075	305,031	15,838	57,083	377,952
Exchange differences on translation of foreign operations	–	–	–	–	–	(34)	–	–	(34)	–	(20)	(54)
Profit for the period	–	–	–	–	–	–	–	4,365	4,365	–	1,768	6,133
Total comprehensive (expense) income for the period	–	–	–	–	–	(34)	–	4,365	4,331	–	1,748	6,079
Sub-total	12,952	445	245,881	680	38,765	21,565	(46,366)	35,440	309,362	15,838	58,831	384,031
Cancellation of share options granted by a subsidiary	–	–	–	–	–	–	–	5	5	(5)	–	–
At 31 March 2009	12,952	445	245,881	680	38,765	21,565	(46,366)	35,445	309,367	15,833	58,831	384,031

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2010 (2009: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

Revenue for the three months ended 31 March 2010 is approximately HK$123,169,000, when comparing with that of approximately HK$71,120,000 for the corresponding period in the year 2009, representing an increase of approximately 73%. The increase is mainly attributable to an increase in sales of goods by approximately HK$50,201,000. Attributable to conversion to digital cinema worldwide, more digital cinema equipment is sold during this period.

Cost of sales for the three months ended 31 March 2010 amounts to approximately HK$67,555,000, when comparing with that of approximately HK$52,588,000 for the corresponding period in the year 2009, representing an increase of approximately 28%. The increase is mainly due to increase in costs of goods sold in line with increase in the respective revenue.

The Group records a gross profit of approximately HK$55,614,000 for the three months ended 31 March 2010, representing a gross profit margin of approximately 45%. Comparing with the gross profit margin of approximately 26% for the corresponding period in the year 2009, the improvement is mainly due to increased sales in digital cinema equipment with higher margin and increase in technical service income and revenue from provision of assembly and integration services in relation to digital cinemas by approximately HK$7,457,000 and HK$2,232,000, respectively, during this period.

Other income for the three months ended 31 March 2010 amounts to approximately HK$3,408,000 (2009: HK$6,605,000), representing a decrease of approximately 48%. The decrease is mainly due to the amount for the three months ended 31 March 2009 included a gain of approximately HK$2,543,000 on disposal of intangible asset to 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.

Administrative expenses for the three months ended 31 March 2010 amounts to approximately HK$16,055,000 (2009: HK$15,076,000), representing an increase of approximately 6%. The increase is a result of growth in the operations of the Group during this period.

Overall, the Group records profit of approximately HK$24,541,000 for the three months ended 31 March 2010 attributable to owners of the Company, when comparing with that of approximately HK$4,365,000 for the corresponding period in the year 2009, representing an increase of approximately 462%.

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 United States and the PRC during this period, sales of goods from the digital content distribution and exhibitions division reported a nearly 100% increase to approximately HK$100,812,000 for the three months ended 31 March 2010 when comparing with that for the corresponding period in the year 2009. The continuous improvement is mainly due to the success of 3D feature films and the availability of funding for digital cinema deployment drive the brisk demand for installation of digital equipment in cinemas for exhibition of digital content. During this period, more than eight new cinema chains in the United States and the PRC place orders to the Group for their digital conversion.

Year 2010 marks an important milestone in the era of digital cinema, as a brand new generation of projector, DLP Cinema® Series 2 projector is delivered. In response to the enhancement of projector technology, the Group is the first to offer its "S2 Upgrade" kits to upgrade all its SA2100 digital cinema servers that can connect to the DLP Cinema® Series 2 projector. In March 2010, the Group participated in the ShoWest 2010 and demonstrated its fifth generation SX2000 and SX2001 digital cinema servers. SX2000 incorporates an integrated media block ("IMB") that integrates with the DLP Cinema® Series 2 projector. Besides, the Group continues to market its theatre management system, TMS1000. TMS1000 is a powerful tool that allows users to automate and streamline the operations of an entire cinema multiplex from a centralised point of control. Together with other products for digital cinema mastering, cinema digital signage and integrated projection system, the Group is capable of offering exhibitors an all-round digital cinema solution and developing products that aim at meeting more than the standard Digital Cinema Initiative ("DCI") specifications, thus differentiating its technology from its competitors.

Deployment of digital cinema network in Asia

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

CG creation and production

Since the second half of the year 2009, the international animation production industry has been under depression with less investment in new projects, which results in a decrease in revenue from CG creation and production division for the three months ended 31 March 2010 by approximately 52% when comparing with that for the corresponding period in the year 2009. Notwithstanding such decrease in revenue, this division still records a profit for this period. Currently, the Group still has three CG production projects from Europe and North America in progress, with several other projects under testing stage. At the same time, the Group is actively looking for new customers, and is now discussing with several world-leading entertainment brands for animated television series and films. Many clients express the desire for long-term and multi-project relationships with the Group based on the Group's demonstrated track record of providing reliable, cost-effective, high-quality CG production services to international markets.

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

Furthermore, since the Group's subsidiary in Shenzhen awarded the "Key National Enterprises for Cultural Export" for the second continuous year by the PRC's Ministry of Commerce, the Ministry of Culture, the State Administration for Radio, Film and Television and the General Administration of Press and Publication, it is awarded the "Spiritual Civilisation Major Achievement" by the Shenzhen municipal government during this period.

CG training

CG training division continues to strive, as a core component of its strategy, towards professionalism and strengthening of its training materials. For the three months ended 31 March 2010, this division records steady growth in revenue of approximately 12% when comparing with that for the corresponding period in the year 2009.

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

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

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

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

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions of the Code on Corporate Governance Practices set out in Appendix 15 of the GEM Listing Rules throughout the three months ended 31 March 2010.

AUDIT COMMITTEE

The Company's Audit Committee has reviewed the 2010 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 2010.

APPRECIATION

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

By Order of the Board
Cao Zhong
Chairman

Hong Kong, 3 May 2010

As at the date of this announcement, the Board comprises Mr. Cao Zhong (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.