



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 REPORT
2011

** For identification purpose only*

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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, 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 report 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 report misleading.

CONTENTS

CORPORATE INFORMATION	3
FIRST QUARTERLY RESULTS	
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	5
INTERIM DIVIDEND	11
MANAGEMENT DISCUSSION AND ANALYSIS	11
PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES.	15
DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES	15
DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES	16
SUBSTANTIAL SHAREHOLDERS	17
SHARE OPTION SCHEMES	18
DIRECTORS' INTERESTS IN COMPETING BUSINESSES	20
COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES	20
COMPLIANCE WITH CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS	20
AUDIT COMMITTEE	20
APPRECIATION	20

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Li Shaofeng (*Chairman*)
Mr. Chen Zheng (*Managing Director*)
Mr. Jin Guo Ping (*Deputy Managing Director*)

Non-executive Director

Mr. Leung Shun Sang, Tony

Independent non-executive Directors

Mr. Kwong Che Keung, Gordon
Mr. Hui Hung, Stephen
Prof. Japhet Sebastian Law

Executive Committee

Mr. Li Shaofeng (*Chairman*)
Mr. Chen Zheng
Mr. Jin Guo Ping

Audit Committee

Mr. Kwong Che Keung, Gordon (*Chairman*)
Mr. Hui Hung, Stephen
Prof. Japhet Sebastian Law

Nomination Committee

Mr. Li Shaofeng (*Chairman*)
Mr. Leung Shun Sang, Tony (*Vice Chairman*)
Mr. Kwong Che Keung, Gordon
Mr. Hui Hung, Stephen
Prof. Japhet Sebastian Law

Remuneration Committee

Mr. Leung Shun Sang, Tony (*Chairman*)
Mr. Li Shaofeng (*Vice Chairman*)
Mr. Kwong Che Keung, Gordon
Mr. Hui Hung, Stephen
Prof. Japhet Sebastian Law

Compliance Officer

Mr. Chen Zheng

Company Secretary

Mr. Chiu Ming Kin

CORPORATE INFORMATION *(Continued)*

Authorised Representatives	Mr. Chen Zheng Mr. Chiu Ming Kin
Auditor	Deloitte Touche Tohmatsu
Bermuda Principal Share Registrar and Transfer Office	HSBC Securities Services (Bermuda) Limited 6 Front Street Hamilton HM 11 Bermuda
Hong Kong Branch Share Registrar and Transfer Office	Tricor Standard Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Registered Office	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Head Office and Principal Place of Business in Hong Kong	Unit 1-7, 20/F., Kodak House II 39 Healthy Street East North Point Hong Kong
Stock Code	8271
Website	www.gdc-world.com

FIRST QUARTERLY RESULTS

The board of Directors of the Company (the "Board") is pleased to report 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 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
	<u>134,263</u>	<u>123,169</u>

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
	<u>1,727</u>	<u>4,133</u>

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
	<u>2,597</u>	<u>528</u>
Total borrowing costs	2,597	528
Less: amounts capitalised in the cost of qualifying assets	-	(528)
	<u>2,597</u>	<u>-</u>

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	–
	<u>2,673</u>	<u>1,707</u>

7. INCOMETAX 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	–
	<u>6,400</u>	<u>3,518</u>

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the EIT rate of the Group's certain subsidiaries in the People's Republic of China (the "PRC," for the purpose of this report, does not include Hong Kong, Macau and Taiwan) is 25% from 1 January 2008 onwards, except for those subsidiaries described below.

According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax (Guofa [2007] No. 39), those entities that previously enjoyed tax incentive rate of 15% would have their applicable tax rate progressively increased to 25% over a five-year transitional period. The tax concession for the foreign investment enterprises is still applicable until the end of the five-year transitional period under the EIT Law based on the revised income tax rate. For the three months ended 31 March 2011, the relevant tax rates for the Group's subsidiaries in the PRC 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

The computation of diluted earnings per share for the three months ended 31 March 2010 did not assume the exercise of the share options of the Company and GDC Technology Limited (“GDC Technology”), an indirect non-wholly owned subsidiary of the Company, as the exercise prices of the share options were higher than the average market price of the shares of the Company and the fair value of the shares of GDC Technology as determined by the Directors for that period.

9. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital HK\$'000	Share premium reserve HK\$'000	Capital contribution reserve HK\$'000	Contributed surplus reserve HK\$'000	Statutory reserve HK\$'000	Share options reserve HK\$'000	Exchange reserve HK\$'000	Special reserve HK\$'000	Attributable to owners		Non-controlling interests HK\$'000	Total HK\$'000
									Retained earnings HK\$'000	Company 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL OVERVIEW *(Continued)*

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 People's Republic of China (the "PRC"; for the purpose of this report, does not include Hong Kong, Macau and Taiwan) 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW AND OUTLOOK *(Continued)*

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.

Computer graphic (“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.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW AND OUTLOOK *(Continued)*

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 comprehensive 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.

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

As at 31 March 2011, the interests and short positions of the Directors and chief executives of the Company or any of their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

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

Name of Director	Capacity in which interests are held	Number of shares/underlying shares held in the Company			Approximate percentage of issued share capital of the Company as at 31.03.2011
		Interests in shares	Interests under equity derivatives*		Total interests
Mr. Li Shaofeng	Beneficial owner	-	12,950,000	12,950,000	0.99%
Mr. Chen Zheng	Beneficial owner	8,728,200	11,360,000	20,088,200	1.55%
Mr. Jin Guo Ping	Beneficial owner	-	2,590,000	2,590,000	0.19%
Mr. Leung Shun Sang, Tony	Beneficial owner	20,008,200	11,370,000	31,378,200	2.42%
Mr. Kwong Che Keung, Gordon	Beneficial owner	800,820	1,780,000	2,580,820	0.19%
Mr. Hui Hung, Stephen	Beneficial owner	800,820	1,780,000	2,580,820	0.19%
Pro. Japhet Sebastian Law	Beneficial owner	-	1,290,000	1,290,000	0.09%

* The relevant interests are unlisted physically settled options granted pursuant to the Company's share option scheme adopted on 18 July 2003 (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 GDC Technology Limited ("GDC Technology"), an associated corporation of the Company

Name of Director	Capacity in which interests are held	Number of shares/underlying shares held in GDC Technology			Approximate percentage of issued share capital of GDC Technology as at 31.03.2011
		Interests in shares	Interests under equity derivatives*	Total interests	
Mr. Li Shaofeng	Beneficial owner	-	2,300,000	2,300,000	0.97%
Mr. Chen Zheng	Beneficial owner	8,533,334	3,350,000	11,883,334	5.02%
Mr. Jin Guo Ping	Beneficial owner	-	400,000	400,000	0.16%
Mr. Leung Shun Sang, Tony	Beneficial owner	3,780,000	1,000,000	4,780,000	2.02%
Mr. Kwong Che Keung, Gordon	Beneficial owner	1,706,667	365,000	2,071,667	0.87%
Mr. Hui Hung, Stephen	Beneficial owner	-	365,000	365,000	0.15%
Prof. Japhet Sebastian Law	Beneficial owner	-	200,000	200,000	0.08%

* *The relevant interests are unlisted physically settled options granted pursuant to GDC Technology's share option scheme adopted on 19 September 2006 (the "GDC Technology Share Option Scheme"). Upon exercise of the share options in accordance with the GDC Technology Share Option Scheme, ordinary shares of HK\$0.10 each in the share capital of GDC Technology 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 March 2011, none of the Directors, chief executives of the Company or their respective associates had any interests or short positions in any 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 by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, at no time during the three months ended 31 March 2011 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective spouse 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.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2011, the following persons or corporations, other than the Directors or chief executives of the Company as disclosed above, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions in the shares of the Company

Name of shareholder	Capacity in which interests are held	Number of shares held in the Company	Approximate percentage of total issued share capital of the Company as at 31.03.2011
Shougang Holding (Hong Kong) Limited ("Shougang Holding")	Interests of controlled corporations	621,168,023 <i>(Note)</i>	47.95%
Wheeling Holdings Limited ("Wheeling")	Interests of controlled corporations	621,168,023 <i>(Note)</i>	47.95%
Shougang Concord Grand (Group) Limited ("Shougang Grand")	Interests of controlled corporations	621,168,023 <i>(Note)</i>	47.95%
Upper Nice Assets Ltd. ("Upper Nice")	Beneficial owner	621,168,023 <i>(Note)</i>	47.95%
Keywise Capital Management (HK) Limited	Investment manager	74,988,000	5.79%

Note: Upper Nice is an indirect wholly-own subsidiary of Shougang Grand. Shougang Grand was held as to approximately 37.36% by Wheeling, a wholly-owned subsidiary of Shougang Holding. Accordingly, all these corporation are deemed to be interested in the shares of the Company which Upper Nice is interested under the SFO.

Save as disclosed above, as at 31 March 2011, the Company has not been notified of any other person or corporations (other than the Directors and chief executive(s) of the Company) who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEMES

(a) Share option scheme of the Company

On 18 July 2003, the Scheme which complies with the requirements of Chapter 23 of the GEM Listing Rules was adopted by the shareholders of the Company. No share option was granted, exercised, cancelled or lapsed in accordance with the terms of the Scheme during the three months ended 31 March 2011. Details of the share options under the Scheme during the period are as follows:

Category or name of grantees	Options to subscribe for shares of the Company at the beginning and at the end of the period	Date of grant	Exercise period	Exercise price per share
Directors				
Mr. Li Shaofeng	12,950,000	14.12.2010	14.12.2010-03.08.2013	HK\$0.87
Mr. Chen Zheng	4,890,000 6,470,000	30.10.2007 14.12.2010	30.10.2007-29.10.2012 14.12.2010-03.08.2013	HK\$2.75 HK\$0.87
	11,360,000			
Mr. Jin Guo Ping	2,590,000	14.12.2010	14.12.2010-03.08.2013	HK\$0.87
Mr. Leung Shun Sang, Tony	4,900,000 6,470,000	30.10.2007 14.12.2010	30.10.2007-29.10.2012 14.12.2010-03.08.2013	HK\$2.75 HK\$0.87
	11,370,000			
Mr. Kwong Che Keung, Gordon	490,000 1,290,000	30.10.2007 14.12.2010	30.10.2007-29.10.2012 14.12.2010-03.08.2013	HK\$2.75 HK\$0.87
	1,780,000			
Mr. Hui Hung, Stephen	490,000 1,290,000	30.10.2007 14.12.2010	30.10.2007-29.10.2012 14.12.2010-03.08.2013	HK\$2.75 HK\$0.87
	1,780,000			
Prof. Japhet Sebastian Law	1,290,000	14.12.2010	14.12.2010-03.08.2013	HK\$0.87
	43,120,000			
Employees of the Group				
	9,900,000 25,900,000	30.10.2007 14.12.2010	30.10.2007-29.10.2012 14.12.2010-03.08.2013	HK\$2.75 HK\$0.87
	35,800,000			
Other participants				
	4,900,000	30.10.2007	30.10.2007-29.10.2012	HK\$2.75
	83,820,000			

SHARE OPTION SCHEMES *(Continued)*

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

Each of the Company and Shougang Grand has adopted the GDC Technology Share Option Scheme by a shareholders' resolution passed at their respective special general meetings held on 19 September 2006. No share option was granted, exercised, cancelled or lapsed in accordance with the terms of the GDC Technology Share Option Scheme during the three months ended 31 March 2011. Details of the share options under the GDC Technology Share Option Scheme during the period are as follows:

Category or name of grantees	Options to subscribe for shares of GDC Technology at the beginning and at the end of the period	Date of grant	Exercise period	Exercise price per share
Directors				
Mr. Li Shaofeng	2,300,000	14.12.2010	14.12.2010-13.12.2015	HK\$2.00
Mr. Chen Zheng	1,650,000 1,700,000	02.11.2007 14.12.2010	02.11.2007-01.11.2012 14.12.2010-13.12.2015	HK\$2.00 HK\$2.00
	3,350,000			
Mr. Jin Guo Ping	400,000	14.12.2010	14.12.2010-13.12.2015	HK\$2.00
Mr. Leung Shun Sang, Tony	1,000,000	14.12.2010	14.12.2010-13.12.2015	HK\$2.00
Mr. Kwong Che Keung, Gordon	165,000 200,000	02.11.2007 14.12.2010	02.11.2007-01.11.2012 14.12.2010-13.12.2015	HK\$2.00 HK\$2.00
	365,000			
Mr. Hui Hung, Stephen	165,000 200,000	02.11.2007 14.12.2010	02.11.2007-01.11.2012 14.12.2010-13.12.2015	HK\$2.00 HK\$2.00
	365,000			
Prof. Law Japhet Sebastian	200,000	14.12.2010	14.12.2010-13.12.2015	HK\$2.00
	7,980,000			
Employees of the Group				
	1,650,000 6,000,000	02.11.2007 14.12.2010	02.11.2007-01.11.2012 14.12.2010-13.12.2015	HK\$2.00 HK\$2.00
	7,650,000			
	15,630,000			

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the three months ended 31 March 2011, none of the Directors had an interest in a business (other than those businesses where the Directors 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 businesses of the Group.

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