



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
2010**

** For identification purpose only*

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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.

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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 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 report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Cao Zhong (*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. Cao Zhong (*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. Cao Zhong (*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. Cao Zhong (*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 Registrar	The Bank of Bermuda Limited Bank of Bermuda Building 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 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
Earnings per share:		HK cents	HK cents
Basic and diluted	7	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 Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

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	<i>HK\$'000</i>
Sales of goods	100,812	50,611
Revenue from contracts for computer graphic 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, 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	<i>HK\$'000</i>
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. INCOMETAX EXPENSE

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

Under the Law of the People's Republic of China (the "PRC"; for the purpose of this report, 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)	<u>24,541</u>	<u>4,365</u>
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<u>1,295,246</u>	<u>1,295,246</u>

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 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	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 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 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 China Film Group Corporation ("CFG") upon termination of the cooperation with CFGC for the deployment of digital cinema network in the People's Republic of China (the "PRC"; for the purpose of this report, does not include Hong Kong, Macau and Taiwan) 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%.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

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.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW AND OUTLOOK *(Continued)*

Computer graphic ("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.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW AND OUTLOOK *(Continued)*

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.

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

As at 31 March 2010, the interests and short positions of the Directors and chief executives of the Company 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:

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

(Continued)

(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			Total interests as to % to the issued share capital of the Company as at 31.03.2010
		Interests in shares	Interests under equity derivatives*	Total interests	
Mr. Cao Zhong	Beneficial owner	26,942,200	4,900,000	31,842,200	2.45%
Mr. Chen Zheng	Beneficial owner	8,718,200	4,900,000	13,618,200	1.05%
Mr. Leung Shun Sang, Tony	Beneficial owner	20,008,200	4,900,000	24,908,200	1.92%
Mr. Kwong Che Keung, Gordon	Beneficial owner	800,820	490,000	1,290,820	0.09%
Mr. Hui Hung, Stephen	Beneficial owner	800,820	490,000	1,290,820	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.

(b) Long positions in the shares and underlying shares of Shougang Concord Grand (Group) Limited ("Shougang Grand"), an associated corporation of the Company

Name of Director	Capacity in which interests are held	Number of shares/underlying shares held in Shougang Grand			Total interests as to % to the issued share capital of Shougang Grand as at 31.03.2010
		Interests in shares	Interests under equity derivatives*	Total interests	
Mr. Cao Zhong	Beneficial owner	-	22,868,000	22,868,000	1.98%
Mr. Chen Zheng	Beneficial owner	-	18,368,000	18,368,000	1.59%
Mr. Leung Shun Sang, Tony	Beneficial owner	8,278,000	19,368,679	27,646,679	2.40%

* The relevant interests are unlisted physically settled options granted pursuant to Shougang Grand's share option scheme adopted on 7 June 2002 (the "Shougang Grand Scheme"). Upon exercise of the share options in accordance with the Shougang Grand Scheme, ordinary shares of HK\$0.01 each in the share capital of Shougang Grand are issuable. The share options are personal to the respective Directors.

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 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			Total interests as to % to the issued share capital of GDC Technology as at 31.03.2010
		Interests in shares	Interests under equity derivatives*		
			Total interests		
Mr. Cao Zhong	Beneficial owner	8,533,334	1,650,000	10,183,334	4.36%
Mr. Chen Zheng	Beneficial owner	8,533,334	1,650,000	10,183,334	4.36%
Mr. Leung Shun Sang, Tony	Beneficial owner	2,130,000	1,650,000	3,780,000	1.62%
Mr. Kwong Che Keung, Gordon	Beneficial owner	1,706,667	165,000	1,871,667	0.80%
Mr. Hui Hung, Stephen	Beneficial owner	-	165,000	165,000	0.07%

* 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 2010, none of the Directors, chief executives of the Company or their respective associates had any 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 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 2010 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 2010, the following persons or corporations, other than the Directors or chief executive 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 pursuant to 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	Interests as to % to the total issued share capital of the Company as at 31.03.2010
Shougang Holding (Hong Kong) Limited ("Shougang Holding")	Interests of controlled corporations	664,298,023 (Note)	51.28%
Wheeling Holdings Limited ("Wheeling")	Interests of controlled corporations	664,298,023 (Note)	51.28%
Shougang Grand	Interests of controlled corporations	664,298,023 (Note)	51.28%
Upper Nice Assets Ltd. ("Upper Nice")	Beneficial owner	656,360,023 (Note)	50.67%
Keywise Capital Management (HK) Limited	Investment manager	167,208,000	12.90%
Keywise Greater China Opportunities Master Fund	Beneficial owner	113,030,000	8.72%

Note: Shougang Grand's interests included 656,360,023 shares of the Company held by Upper Nice, an indirectly wholly-owned subsidiary of Shougang Grand.

Shougang Holding's interests included 664,298,023 shares of the Company held indirectly by Shougang Grand. Shougang Grand was held as to approximately 37.37% by Wheeling, a wholly-owned subsidiary of Shougang Holding.

Save as disclosed above, as at 31 March 2010, the Company has not been notified of any other person or corporations (other than the Directors and chief executives of the Company) who had an interest or short position in the shares and underlying shares of the Company as record in the register required kept 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 or cancelled in accordance with the terms of the Scheme during the three months ended 31 March 2010. Details of movements in 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					Date of grant	Exercise period	Exercise price per share
	At the beginning of the period	Transferred to other category during the period	Transferred from other category during the period	Lapsed during the period	At the end of the period			
Directors of the Company								
Mr. Cao Zhong	4,900,000	-	-	-	4,900,000	30.10.2007	30.10.2007 – 29.10.2012	HK\$2.75
Mr. Chen Zheng	4,900,000	-	-	-	4,900,000	30.10.2007	30.10.2007 – 29.10.2012	HK\$2.75
Mr. Leung Shun Sang, Tony	4,900,000	-	-	-	4,900,000	30.10.2007	30.10.2007 – 29.10.2012	HK\$2.75
Mr. Kwong Che Keung, Gordon	490,000	-	-	-	490,000	30.10.2007	30.10.2007 – 29.10.2012	HK\$2.75
Mr. Hui Hung, Stephen	490,000	-	-	-	490,000	30.10.2007	30.10.2007 – 29.10.2012	HK\$2.75
	<u>15,680,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,680,000</u>			
Employees of the Group								
	2,300,000	(100,000) ¹	-	(2,200,000) ²	-	22.03.2007	22.03.2007 – 21.03.2010	HK\$1.07
	2,262,000	(200,000) ¹	-	-	2,062,000	04.04.2007	04.04.2007 – 03.04.2010	HK\$1.52
	<u>9,900,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,900,000</u>	30.10.2007	30.10.2007 – 29.10.2012	HK\$2.75
	<u>14,462,000</u>	<u>(300,000)</u>	<u>-</u>	<u>(2,200,000)</u>	<u>11,962,000</u>			
Other participants								
	-	-	100,000 ¹	(100,000) ¹	-	22.03.2007	22.03.2007 – 21.03.2010	HK\$1.07
	<u>1,781,000</u>	<u>-</u>	<u>200,000¹</u>	<u>(820,000)³</u>	<u>1,161,000</u>	04.04.2007	04.04.2007 – 03.04.2010	HK\$1.52
	<u>1,781,000</u>	<u>-</u>	<u>300,000</u>	<u>(920,000)</u>	<u>1,161,000</u>			
	<u>31,923,000</u>	<u>(300,000)</u>	<u>300,000</u>	<u>(3,120,000)</u>	<u>28,803,000</u>			

SHARE OPTION SCHEMES (Continued)**(a) Share option scheme of the Company** (Continued)

Notes:

- Such share options were re-classified from the category of "Employees of the Group" to "other participants" upon those grantees ceased to be employee of the Group during the three months ended 31 March 2010. According to the Scheme, such share options were lapsed on the expiry of the three months period following the date of cessation as employees of the Group.
- Such share options were lapsed on 22 March 2010 according to the Scheme.
- According to the Scheme, such share options were lapsed on the expiry of the three months period following the date of cessation as other participants of the Group during the three months ended 31 March 2010.

(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 2010. 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 of the Company				
Mr. Cao Zhong	1,650,000	02.11.2007	02.11.2007 – 01.11.2012	HK\$2.00
Mr. Chen Zheng	1,650,000	02.11.2007	02.11.2007 – 01.11.2012	HK\$2.00
Mr. Leung Shun Sang, Tony	1,650,000	02.11.2007	02.11.2007 – 01.11.2012	HK\$2.00
Mr. Kwong Che Keung, Gordon	165,000	02.11.2007	02.11.2007 – 01.11.2012	HK\$2.00
Mr. Hui Hung, Stephen	165,000	02.11.2007	02.11.2007 – 01.11.2012	HK\$2.00
	<u>5,280,000</u>			
Employees of the Group	<u>1,650,000</u>	02.11.2007	02.11.2007 – 01.11.2012	HK\$2.00
	<u>6,930,000</u>			

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Pursuant to Rule 11.04 of the GEM Listing Rules, the following Directors have declared interests in the following businesses (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 the businesses of the Group during the period:

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
Mr. Cao Zhong	Shougang Grand (Note 1)	Cultural recreation content provision (Note 2)	Vice chairman and managing director
Mr. Chen Zheng	Shougang Grand (Note 1)	Cultural recreation content provision (Note 2)	Managing director of operations
Mr. Leung Shun Sang, Tony	Shougang Grand (Note 1)	Cultural recreation content provision (Note 2)	Director

Notes:

1. *Shougang Grand is the holding company of the Company which indirectly held approximately 51.28% interests in the Company as at 31 March 2010.*
2. *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 board of the above-mentioned entity 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 this entity.

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