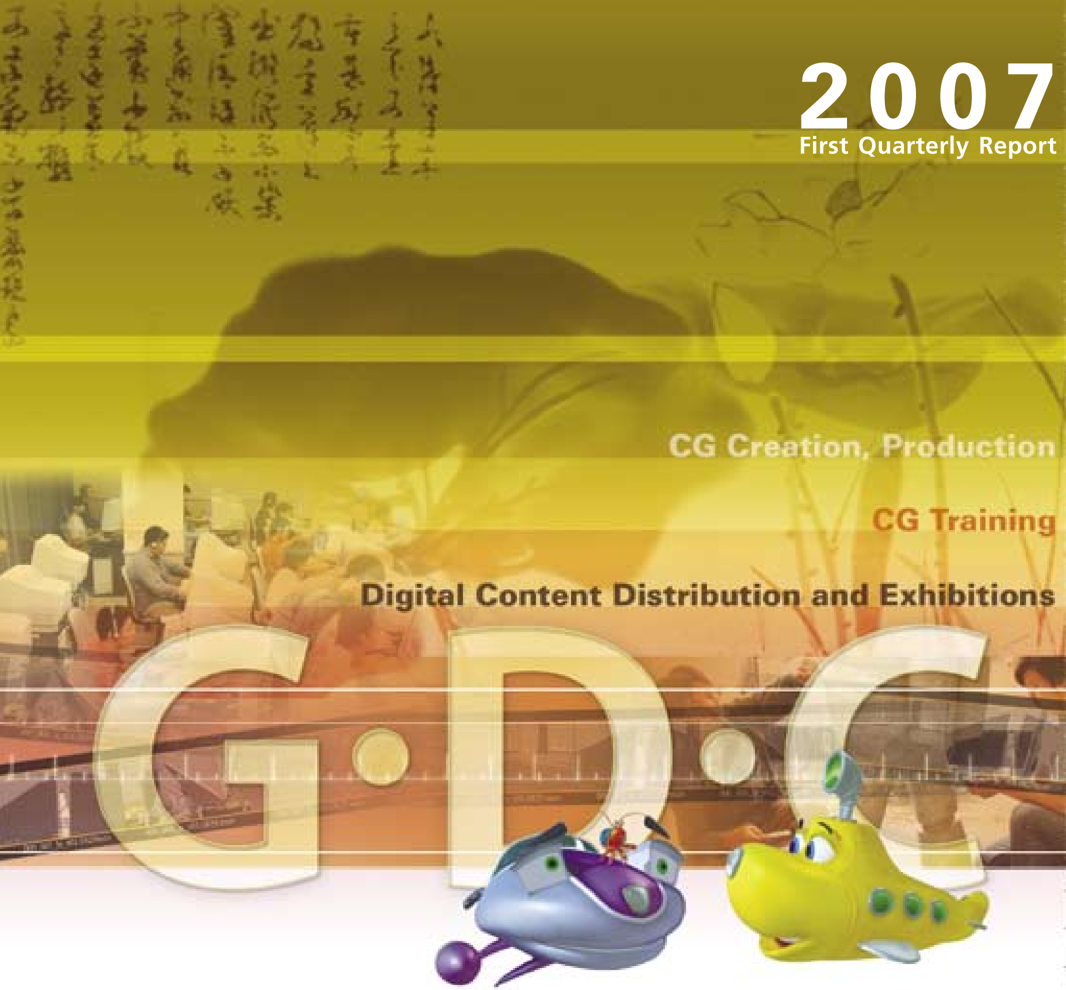
2007
First Quarterly Report



G·D·C HOLDINGS

Global Digital Creations Holdings Limited
環 球 數 碼 創 意 控 股 有 限 公 司*

(Incorporation in Bermuda with limited liability)

(Stock Code : 8271)

* For identification purpose only

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The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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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 (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: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) 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.

The board of Directors (the "Board") hereby reports the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months ended 31 March 2007, together with the unaudited comparative figures for the corresponding period in 2006, which are set out as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended 31 March 2007

		Three months ended 31 March	
		2007	2006
		(Unaudited)	(Unaudited)
	Notes	**HK$'000**	HK$'000
Revenue	*3*	**19,712**	8,641
Cost of sales		**(7,499)**	(5,074)
Gross profit		**12,213**	3,567
Other income		**7,556**	185
Distribution costs		**(1,885)**	(2,326)
Administrative expenses		**(9,836)**	(8,897)
Finance costs	*4*	**(2,427)**	(2,768)
Gain on dilution of interest in a subsidiary	*5*	**40,295**	–
Profit (loss) for the period		**45,916**	(10,239)
Attributable to:			
Equity holders of the parent		**45,058**	(10,239)
Minority interests		**858**	–
		45,916	(10,239)
		HK cents	HK cents
Earnings (loss) per share	*8*		
Basic		**5.38**	(1.28)
Diluted		**5.19**	N/A

NOTES:

1. Basis of preparation

The unaudited accounts have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). They are prepared under the historical cost basis.

The accounting policies used in the preparation of the unaudited condensed consolidated income statement for the three months ended 31 March 2007 are consistent with those used in the Company's annual financial statements for the year ended 31 December 2006.

2. Adoption of new and revised Hong Kong Financial Reporting Standards

In the current period, the Group has applied, for the first time, a number of new standards, amendment and interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA which are effective for annual periods beginning on or after 1 March 2006 to 1 January 2007. The application of the new HKFRSs had no material effect on how the results for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standard or interpretations that have been issued but are not yet effective. The Directors anticipate that the application of these new standard and interpretations will have no material impact on the financial results of the Group.

HKFRS 8	Operating Segments [1]
HK (IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions [2]
HK (IFRIC) – INT 12	Service Concession Arrangements [3]

[1] Effective for annual periods beginning on or after 1 January 2009.
[2] Effective for annual periods beginning on or after 1 March 2007.
[3] Effective for annual periods beginning on or after 1 January 2008.

3. Revenue

Revenue represents the amounts received and receivable for goods sold by the Group to outside customers (less returns and trade discounts), computer graphic ("CG") creation and production income, revenue arising on training fee and technical service fee during the period. An analysis of the Group's revenue is as follows:

	Three months ended 31 March	
	2007 (Unaudited) HK$'000	2006 (Unaudited) HK$'000
Sales of goods	**8,610**	2,746
CG creation and production income	**8,369**	3,701
Training fee	**2,201**	1,926
Technical service income	**532**	149
Rental income from equipment leasing	**–**	119
	19,712	8,641

4. Finance costs

	Three months ended 31 March	
	2007	2006
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest on:		
Loan from a fellow subsidiary	**2,179**	1,635
Borrowings wholly repayable within five years	**160**	432
Loans from related parties	**49**	586
Finance leases	**36**	114
Others	**3**	1
	2,427	2,768

5. Gain on dilution of interest in a subsidiary

The amount represented the gain on dilution of the Group's interest in GDC Technology Limited ("GDC Technology"), a subsidiary of the Company, from approximately 83.3% to 56.3% of the issued capital of GDC Technology upon the completion of the subscription of 52,383,580 shares of GDC Technology at a consideration of US$6.5 million (equivalent to approximately HK$50,570,000) by a subscriber (the "GDC Tech Subscriber"), which is a company incorporated in the British Virgin Islands and beneficially wholly-owned by a substantial shareholder of Shougang Concord Grand (Group) Limited, the ultimate holding company of the Company and its shares are listed on the Stock Exchange. Details of which were set out in the Company's circular dated 27 December 2006.

6. Income tax expense

No provision for Hong Kong Profits Tax has been made in the unaudited condensed consolidated income statement for both periods as the Group had no assessable profit arising in Hong Kong.

Pursuant to the relevant income tax regulations for productive enterprises with foreign investment established in the People's Republic of China (the "PRC") and being approved by the relevant PRC tax authority, the subsidiaries in the PRC are eligible for an exemption from PRC Enterprise Income Tax for two years starting from the first profit-making year after offsetting all tax losses carried forward from the previous five years, followed by a 50% reduction of tax rate in the next three years.

7. Dividends

The Directors do not recommend the payment of a dividend for the three months ended 31 March 2007 (2006: Nil).

8. Earnings (loss) per share

The calculation of the unaudited basic and diluted earnings per share attributable to the ordinary equity holders of the parent for the three months ended 31 March 2007 is based on the following data:

	HK$'000
Earnings	
Earnings for the purposes of basic and diluted earnings per share (Profit for the period attributable to equity holders of the parent)	**45,058**

	'000
Number of shares	
Weighted average number of ordinary shares for the purposes of basic earnings per share	**837,577**
Effect of dilutive potential ordinary shares:	
– share options	**31,330**
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**868,907**

The calculation of the unaudited basic loss per share for the three months ended 31 March 2006 was based on the loss for that period of approximately HK$10,239,000 and the 800,820,000 shares in issue during that period.

Diluted loss per share was not presented for the three months ended 31 March 2006 because there were no potential ordinary shares in existence for that period.

9. Unaudited condensed consolidated statement of changes in equity

	Attributable to equity holders of the parent											
	Share capital	Share premium account	Capital contribution reserve	Contributed surplus	Statutory reserve	Share options reserve	Exchange reserve	Accumulated Losses	Total	Equity component of share options reserve of a subsidiary	Minority interests	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	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 2007	8,008	92,438	445	40,271	680	5,590	(2,205)	(300,253)	(155,026)	317	–	(154,709)
Exchange differences on transaction of operations outside Hong Kong recognised directly in equity	–	–	–	–	–	–	(196)	–	(196)	–	–	(196)
Profit for the period	–	–	–	–	–	–	–	45,058	45,058	–	858	45,916
Total recognised income and expenses for the period	–	–	–	–	–	–	(196)	45,058	44,862	–	858	45,720
Sub-total	8,008	92,438	445	40,271	680	5,590	(2,401)	(255,195)	(110,164)	317	858	(108,989)
Shares issued	1,600	72,944	–	–	–	–	–	–	74,544	–	–	74,544
Transaction costs attributable to issue of shares	–	(2,419)	–	–	–	–	–	–	(2,419)	–	–	(2,419)
Shares issued by a subsidiary to a minority shareholder	–	–	–	–	–	–	–	–	–	–	9,940	9,940
Exercise of share options	109	4,037	–	–	–	(873)	–	–	3,273	–	–	3,273
Recognition of equity-settled share based payment	–	–	–	–	–	1,878	–	–	1,878	–	–	1,878
At 31 March 2007	9,717	167,000	445	40,271	680	6,595	(2,401)	(255,195)	(32,888)	317	10,798	(21,773)
At 1 January 2006	8,008	92,438	445	40,271	680	–	(44)	(270,010)	(128,212)	–	–	(128,212)
Loss for the period and total recognised expenses for the period	–	–	–	–	–	–	–	(10,239)	(10,239)	–	–	(10,239)
At 31 March 2006	8,008	92,438	445	40,271	680	–	(44)	(280,249)	(138,451)	–	–	(138,451)

SHENZHEN UNIVERSITY LITIGATION

On 16 August 2006, 深圳大學文化科技服務有限公司 ("Shenzhen University") commenced legal action in the People's Court (Nanshan District) ("Nanshan Court") in the PRC against Institute of Digital Media Technology (Shenzhen) Limited ("Shenzhen IDMT"), a wholly-owned subsidiary of the Company for, among others, unpaid rent, related expenses and compensation in the amount of approximately RMB8,960,000. On 14 September 2006, Shenzhen IDMT filed a counterclaim against Shenzhen University for, among others, compensation for renovation fee and relocation expenses in the amount of approximately RMB10,726,000 and RMB6,000,000, respectively, and returns of rental deposit. On 19 March 2007, Shenzhen University filed an application to the Nanshan Court to withdraw its claim against Shenzhen IDMT. On 22 March 2007, Shenzhen IDMT filed an application to the Nanshan Court to withdraw its counterclaim against Shenzhen University. Both applications were approved by the Nanshan Court on 10 April 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

Revenue for the three months ended 31 March 2007 was approximately HK$19,712,000, when compared with that of approximately HK$8,641,000 for the corresponding period in the year 2006, represented an increase of approximately 128%. The increase is mainly attributable to the increase in revenue of approximately HK$6,128,000 and HK$4,668,000, respectively, from digital content distribution and exhibitions, and CG creation and production.

During the three months ended 31 March 2007, the Group's revenue from digital content distribution and exhibitions division, which mainly consisted of sales of digital cinema equipment and the relevant technical service income, amounted to approximately HK$9,142,000, increased for approximately 203% comparing with that for the corresponding period in the year 2006. This increase was mainly due to many orders for new products in compliance with the new industrial technical standard, which was just coming out in the fourth quarter of 2006, were received during this period. The Group's revenue from CG creation and production amounted to approximately HK$8,369,000, increase of approximately 126% comparing with that for the corresponding period in the year 2006, a result of the Group's strategy of entering into the business of subcontracting of CG creation and production having been successful.

Cost of sales for the three months ended 31 March 2007 amounted to approximately HK$7,499,000 which, comparing with that of approximately HK$5,074,000 for the corresponding period in the year 2006, represented an increase of approximately 48%.

The Group made a gross profit of approximately HK$12,213,000 for the three months ended 31 March 2007, representing a gross profit margin of approximately 62%. Comparing with the gross profit margin of approximately 41% for the corresponding period in the year 2006, the improvement was mainly attributable to higher margin on sales of new products of digital cinema equipment and increase in efficiency in CG creation and production.

Other income for the three months ended 31 March 2007 amounted to approximately HK$7,556,000 (2006: HK$185,000) mainly represented the waiving of certain interest payable on other loans and rental payable of approximately HK$4,156,000 and HK$3,228,000, respectively, upon entering into settlement agreements with relevant parties during this period.

Administrative expenses for the three months ended 31 March 2007 amounted to approximately HK$9,836,000 (2006: HK$8,897,000), representing an increase of approximately 11%. The increase was mainly due to recognition of equity-settled share based payment expense of approximately HK$1,878,000 for the share options granted during this period. Adjusted for this non-cash expense, the administrative expenses decreased by approximately 11%.

Gain on dilution of interest in a subsidiary of approximately HK$40,295,000 for the three months ended 31 March 2007 represented the gain on dilution of the Group's interest in GDC Technology from approximately 83.3% to 56.3% of the issued capital of GDC Technology upon the completion of the subscription of 52,383,580 shares of GDC Technology at a consideration of US$6.5 million (equivalent to approximately HK$50,570,000) by the GDC Tech Subscriber. With this additional funding, the Group is in a better position to expedite the rolling out of its business plan and enhance its research and development activities.

Overall, the Group recorded profit of approximately HK$45,058,000 for the three months ended 31 March 2007 attributable to equity holders of the Company, when compared with the loss of approximately HK$10,239,000 for the corresponding period in the year 2006.

BUSINESS REVIEW

Digital content distribution and exhibitions

The significant improvement in the digital content distribution and exhibitions division for the three months ended 31 March 2007 was due to the Group's successful development of Digital Cinema Initiative, LLC ("DCI") compliant server and receiving worldwide customers' repeat orders to upgrade their digital cinema theatres to its next generation digital cinema server – SA2000 DSR™ Digital Film Servers throughout the United States of America ("USA"), Europe, Korea, Singapore, Taiwan and Thailand with JPEG2000 capability and DCI security features. The upgraded digital cinema servers also accept 2k and 4k digital cinema packages as well as maintaining the servers' backward compatibility with the widely deployed MXF MPEG2 digital cinema profile format.

During this period, the Group also completed digitisation of a high profile cinema multiplex in the PRC, based on the state-of-the-art Digital-Cinema-Total-Solution platform designed ground-up by the Group. With the Group's total solution for digital cinema, the cinema operator can now display the full array of trailers, advertisements and alternative content on both the in-foyer displays and in-theatres screens through a centrally controlled Theater Management System that in turns is remotely monitored by a Network Operation Center. The various display devices can now be programmed from the ticketing system to playback all kind of content in coherency and up-to-the-last minute media can be delivered to all the various display devices connected to a central server. The installed system is so successful that other high-end cinema multiplexes in the PRC and Hong Kong have also begun installing the similar system supplied by the Group.

CG creation and production

The Group's business volume in CG creation and production division continued to grow, contributed by both works from new clients and repeated orders from existing clients. It is the first time for the CG creation and production division to generate operating profit for the three months ended 31 March 2007.

During this period, the Group has successfully completed several production projects including DVD and television ("TV") series for clients and a co-production project, all of which originated from last year. The Group is in the process of producing several projects including DVDs, TV series and feature film. The Group's consistent ability to deliver production on time with high quality and its delication of continued improvement had earned trust and dependency from its business partners and clients.

Besides, the Group has already secured production contracts to cover substantial portion of its current production capacity for the entire year of 2007. At present, in addition to domestic business in the PRC, the Group has expanded its customer base to USA, Europe, Japan and Middle East region.

CG training

The Group's CG training division served as a core component of its strategy towards professionalism. Tailored for students in the PRC, its training courses focused on the basic knowledge of CG production. With the best training and highest graduates employment rate, the Group maintain a leading position in the CG professional training domain in the PRC. Currently, the Group have already set up training centers in six major cities, namely Shenzhen, Shanghai, Beijing, Shenyang, Xi'an and Nanjing, and the network will be further expanded to other cities in the country. Through continued improvement in the management system and focused marketing programs, the Group recorded steady revenue growth from CG training of approximately 14% for the three months ended 31 March 2007, comparing with the corresponding period in the year 2006.

OUTLOOK

Digital content distribution and exhibitions

The Group continues to upgrade its products and market them through participation in international trade exhibitions and high profile demonstration projects. At 2007 ShoWest convention in March 2007, the Group launched an important new digital cinema product – DCI-2000 Digital Cinema Integrated Projection System that answers to the exhibitors' need of a fully integrated projector – server system. DCI-2000 addresses some of the biggest challenges of delivering, installing, operating and maintaining of digital cinema system in cinema multiplexes. The Group also unveiled another new product – SA2100 DSR™ Digital Film Server which is 33% smaller in size and designed to meet DCI specifications such as Texas Instruments Cinelink™ 2 and Hollywood's approved forensic watermarking features. The SA2100 server is a cost-effective and flexible solution for digital cinema and alternative content sources to be playout in a seamless pipeline; various formats of content such as live interview, on-screen advertisement and feature films can be programmed to playout without the need to re-initialise the server and/or projector for different image formats. With the successful development of new products aiming to meet the DCI specifications, the Group expects to further improve in this division for the remaining part of year 2007.

Besides, the Group's cooperation with China Film Group Corporation, whereby to install not less than 2,000 units of digital cinema integrated projection system in the next two years, is under preparation and it expects to be started near mid of year 2007. This will highly accelerate the digitalisation of the film distribution industry in the PRC and at the same time, lay a solid foundation for commencing related businesses of the Group, thus enable the Group to become the technology supplier of digital cinema in the PRC as well as the pioneer in related businesses on top of its basis as a provider of digital cinema equipment worldwide.

CG creation and production

Up to date of this report, the volume of production orders received is more than the total orders of last year, the Group is expanding its production capacity, through expansion of the existing studios and proposed establishment of new studio. All of the existing customers have expressed desire to work with the Group for its subsequent work, and potential customers are being attracted to the Group through its released work and reputation in the industry.

Central and local governments in the PRC have been continuously recognising the Group as the leader of CG industry in the PRC and have provided the Group various support to further its steady growth.

In addition to production revenue, several co-production projects have been completed and the Group expects to receive licensing and distribution income in the near future.

CG creation and production division certainly is a rapidly growing market both domestically and internationally, in order to maintain the Group's leadership position in the PRC and siege the market opportunities, the Group will continuously improve its market share, production efficiency and creative ability.

CG training

With the view of great success in the CG creation and production division, attracting more students and raising market demand for graduates, the Group will design new courses emphasising practical skills to in line with the market needs. Along with its stable franchised training business network, the Group will also selectively develop and promote the establishment of direct operated stores, so as to further enhance the market value of its training brand. To conclude, the Group will further expand its training network throughout the PRC with Shanghai and Shenzhen as the core centers. The Group will also upgrade and strengthen its training system, the quality of its teaching staff and the graduate employment network.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 31 March 2007, so far as is known to the Directors or the Chief Executive of the Company, the interests and short positions of the Directors, the Chief Executive and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (Cap 571) ("SFO")) as recorded in the register maintained under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to Rule 5.48 to 5.67 of the GEM Listing Rules, were as follows:

Long positions in shares and underlying shares of the Company:

	Number of shares/underlying shares held in the Company				
Name of Director	Personal interests	Other interests	Equity derivatives interests (share options)*	Total interests	Approximate percentage of shares in issue
Cao Zhong	–	–	8,008,200	8,008,200	0.82%
Chen Zheng	8,008,200	–	–	8,008,200	0.82%
Leung Shun Sang, Tony	8,008,200	–	–	8,008,200	0.82%
Jin Guo Ping	–	–	8,008,200	8,008,200	0.82%
Xu Qing, Catherine	–	–	8,008,200	8,008,200	0.82%
Kwong Che Keung, Gordon	–	–	800,820	800,820	0.08%
Bu Fan Xiao	–	–	800,820	800,820	0.08%
Hui Hung, Stephen	800,820	–	–	800,820	0.08%

* *The relevant interests are unlisted physically settled equity derivatives pursuant to the Company's share option scheme adopted on 18 July 2003. Upon exercise of the share options in accordance with the scheme, ordinary share of HK$0.01 are issuable. The share options are personal to the respective Directors.*

Long positions in shares and underlying shares of Shougang Concord Grand (Group) Limited ("Shougang Grand")

Name of Director	Numbers of shares/underlying shares held in Shougang Grand				Approximate percentage of shares in issue
	Personal	Others	Equity derivatives interests (share option)*	Total interests	
Cao Zhong	8,278,679	–	11,368,000	19,646,679	1.73%
Chen Zheng	–	–	11,368,000	11,368,000	1.00%
Leung Shun Sang, Tony	8,278,000	–	11,368,679	19,646,679	1.73%

Note:

* *The relevant interests are unlisted physically settled equity derivatives pursuant to Shougang Grand's share option scheme adopted on 7 June 2002 (the "Scheme"). Upon exercise of the share options in accordance with the Scheme, ordinary shares of HK$0.01 each in the share capital of Shougang Grand are issuable. The share options are personal to the respective Directors. During the three months ended 31 March, 2007, no relevant share options have been exercised by the grantees.*

Long positions in shares and underlying shares of GDC Technology

Name of Director	Numbers of shares/underlying shares held GDC Technology				Approximate percentage of shares in issue
	Personal	Others	Equity derivatives interests (share option)*	Total interests	
Cao Zhong	4,266,667	–	4,266,667	8,533,334	5.29%
Chen Zheng	4,266,667	–	4,266,667	8,533,334	5.29%
Leung Shun Sang, Tony	2,130,000	–	3,333	2,133,333	1.32%
Kwong Che Keung, Gordon	–	–	1,706,667	1,706,667	1.06%
Xu Qing, Catherine	–	–	320,000	320,000	0.20%

Note:

* *The relevant interests are unlisted physically settled equity derivatives pursuant to the GDC Technology's share option scheme adopted on 19 September 2006 (the "GDC Tech Scheme"). Upon exercise of the share options in accordance with the GDC Tech Scheme, ordinary shares of HK$0.1 each in the share capital of GDC Technology are issuable. During the three months ended 31 March, 2007, no relevant share options have been exercised by the grantees.*

Save as disclosed above, as at 31 March 2007, none of the Directors and the Chief Executive of the Company nor their associates had any interests and short positions in the shares, underlying shares and debentures of the Company and 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 Rule 5.46 to 5.67 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, no right to subscribe for equity or debt securities of the Company has been granted by the Company to, nor have any such rights been exercised by, any Directors or Chief Executives (including their spouses or children under 18 years of age) during the three months ended 31 March 2007.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 March 2007, so far as is known to the Directors, the following, not being a Director or Chief Executive of the Company, have an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO:

Long positions in the shares

Name of shareholder	Capacity in which interests are held	Number of shares held in the Company	Percentage of interest as to the issued share capital of the Company	*Note*
Shougang Holding (Hong Kong) Limited ("Shougang Holding")	Interests in controlled corporation	700,890,023	72.13%	*1*
Shougang Concord Grand (Group) Limited ("Shougang Grand")	Interests in controlled corporation	700,890,023	72.13%	*1*
Upper Nice Assets Ltd. ("Upper Nice")	Beneficial owner	700,466,023	72.08%	*1*

Note:

(1) Upper Nice is an indirectly wholly-owned subsidiary of Shougang Grand which is incorporated in Bermuda as an exempted company with limited liability with its securities listed on the main board of the Stock Exchange and is regarded to be held as to approximately 37.83% by Shougang Holding as recorded under the register Shougang Grand kept under Section 336 of the SFO. The interests held by Upper Nice are included in the interests held by both of Shougang Grand and Shougang Holding.

Save as disclosed above, as at 31 March 2007, the Directors and Chief Executive of the Company were not aware of any person who has an interest or short position in the shares, or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Saved as disclosed in the section of Share Placement, there was no purchase, sale or redemption by the Company, or any of its subsidiaries of the Company's listed shares during the three months ended 31 March 2007.

SHARE PLACEMENT

On 16 March, 2007, Upper Nice and the Company entered into a placing and subscription agreement with a placing agent in respect of a top-up placing and subscription of 120,000,000 shares of the Company at HK$0.54 per share. On the same date, Upper Nice and the Company entered into another subscription agreement in respect of subscription of 100,000,000 new shares of the Company at HK$0.54 per share. The net proceeds from the top-up subscription in the amount of approximately HK$63.0 million and the net proceeds from the subscription HK$53.6 million would be used by the Group as to approximately HK$75.0 million for the deployment of digital cinema network project in the PRC, and the remaining balance would be used as general working capital of the Group and for the repayment of loans.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 March 2007, the interests of the Directors in the 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 were considered to compete or were likely to compete, either directly or indirectly, with the businesses of the Group were as follows:

Name of Director	Name of entity whose businesses were considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entity which were considered to compete or likely to compete with the businesses of the Group	Nature of interest of the Director in the entity
Cao Zhong	Shougang Grand *(Note 1)*	Property investment and management, financial services and cultural recreation content provision *(Note 2)*	Vice-chairman and Managing Director
Chen Zheng	Shougang Grand *(Note 1)*	Property investment and management, financial services and cultural recreation content provision *(Note 2)*	Managing Director of Operation
Leung Shun Sang, Tony	Shougang Grand *(Note 1)*	Property investment and management, financial services and cultural recreation content provision *(Note 2)*	Director

Notes:

(1) Shougang Grand through Upper Nice indirectly holds approximately 61.8% interests in the Company

(2) Those businesses are carried out through its subsidiaries or associates or by way of other form of investments.

Save as disclosed above, none of the Directors, the Chief Executive, substantial shareholders or initial management shareholders of the Company or any of its subsidiaries or any of their respective associates, has an interest in any business, which competes or may compete with the business of the Group.

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference in compliance with GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group, and to review the Company's annual report, half-yearly reports and quarterly reports and to provide advice and comments thereon to the Board of Directors. The Audit Committee comprises of Mr. Kwong Che Keung, Gordon, Professor Bu Fan Xiao and Mr. Hui Hung, Stephen, all of whom are Independent Non-executive Directors.

The Audit Committee has reviewed the unaudited condensed consolidated financial results of the Group for the three months ended 31 March 2007 and is of the opinion that the unaudited condensed consolidated income statement reflecting such financial results complies with the applicable accounting standards, and the GEM Listing Rules and legal requirements and that adequate disclosures have been made.

By Order of the Board
Cao Zhong
Chairman

Hong Kong, 10 May 2007

As at the date of this report, the Executive Directors are Mr. Cao Zhong, Mr. Chen Zheng, Mr. Jin Guo Ping and Dr. Xu Qing, Catherine, the Non-executive Director is Mr. Leung Shun Sang, Tony, the Independent Non-executive Directors are Mr. Kwong Che Keung, Gordon, Professor Bu Fan Xiao and Mr. Hui Hung, Stephen.