



環球數碼創意控股有限公司*

Global Digital Creations Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 8271



FIRST QUARTERLY REPORT
2008

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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.

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.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims 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 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.

CONTENTS

| | |
|---|----|
| CORPORATE INFORMATION | 3 |
| FIRST QUARTERLY RESULTS | |
| UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT | 5 |
| MANAGEMENT DISCUSSION AND ANALYSIS | 10 |
| INTERIM DIVIDEND | 13 |
| PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES | 13 |
| DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES | 14 |
| INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO | 17 |
| SHARE OPTIONS | 19 |
| DIRECTORS' INTERESTS IN COMPETING BUSINESS | 21 |
| AUDIT COMMITTEE | 22 |
| APPRECIATION | 22 |

CORPORATE INFORMATION

Board of Directors

Cao Zhong (*Chairman*)
Chen Zheng (*Managing Director*)
Jin Guo Ping (*Deputy Managing Director*)
Lu Yi, Gloria (*Deputy Managing Director*)
Leung Shun Sang, Tony (*Non-executive Director*)
Kwong Che Keung, Gordon
(*Independent Non-executive Director*)
Bu Fan Xiao (*Independent Non-executive Director*)
Hui Hung, Stephen
(*Independent Non-executive Director*)

Executive Committee

Cao Zhong (*Chairman*)
Chen Zheng
Jin Guo Ping
Lu Yi, Gloria

Audit Committee

Kwong Che Keung, Gordon (*Chairman*)
Bu Fan Xiao
Hui Hung, Stephen

Nomination Committee

Cao Zhong (*Chairman*)
Leung Shun Sang, Tony (*Vice Chairman*)
Kwong Che Keung, Gordon
Bu Fan Xiao
Hui Hung, Stephen

Remuneration Committee

Leung Shun Sang, Tony (*Chairman*)
Cao Zhong (*Vice Chairman*)
Kwong Che Keung, Gordon
Bu Fan Xiao
Hui Hung, Stephen

Compliance Officer

Chen Zheng

Company Secretary

Cheng Man Ching

Qualified Accountant

Chiu Ming Kin

CORPORATE INFORMATION *(Continued)*

| | |
|--|--|
| Auditor | Deloitte Touche Tohmatsu |
| Principal Registrars | The Bank of Bermuda Limited Bank of Bermuda Building 6 Front Street Hamilton HM 11 Bermuda |
| Hong Kong Branch Share Registrars 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 |
| Principal Office in Hong Kong | Rooms 1101-4, 11th Floor Harcourt House 39 Gloucester Road Wanchai 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 quarterly results of the Company and its subsidiaries (the "Group") for the three months ended 31 March 2008 with comparative figures for the corresponding period in 2007. These quarterly results have been reviewed by the Company's Audit Committee.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended 31 March 2008

| | NOTES | Three months ended 31 March 2008 <i>HK\$'000</i> (Unaudited) | 2007 <i>HK\$'000</i> (Unaudited) |
|--|-------|--|--|
| Revenue | 3 | 16,270 | 19,712 |
| Cost of sales | | (15,970) | (7,499) |
| Gross profit | | 300 | 12,213 |
| Other income | | 1,324 | 7,556 |
| Distribution costs and selling expenses | | (2,709) | (1,885) |
| Administrative expenses | | (14,878) | (9,836) |
| Finance costs | 4 | (680) | (2,427) |
| Share of loss of an associate | | (409) | – |
| Gain on dilution of interest in a subsidiary | 5 | – | 40,295 |
| (Loss) profit for the period | | (17,052) | 45,916 |
| Attributable to: | | | |
| Equity holders of the Company | | (14,805) | 45,058 |
| Minority interests | | (2,247) | 858 |
| | | (17,052) | 45,916 |
| | | <i>HK cents</i> | <i>HK cents</i> |
| (Loss) earnings per share | 7 | | |
| Basic | | (1.14) | 5.38 |
| Diluted | | N/A | 5.19 |

NOTES:**1. BASIS OF PREPARATION**

The unaudited condensed consolidated income statement 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 income statement has been prepared on the historical cost basis.

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

In the current period, the Group has applied, for the first time, a number of new interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for the Group's financial year beginning 1 January 2008. The adoption of these new interpretations had no material effect on the results or financial position 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, amendment or interpretation that have been issued by the HKICPA but are not yet effective.

| | |
|---------------------|---|
| HKAS 1 (Revised) | Presentation of Financial Statements ¹ |
| HKAS 23 (Revised) | Borrowing Costs ¹ |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements ² |
| HKFRS 2 (Amendment) | Vesting Conditions and Cancellations ¹ |
| HKFRS 3 (Revised) | Business Combinations ² |
| HKFRS 8 | Operating Segments ¹ |
| HK(IFRIC) – Int 13 | Customer Loyalty Programmes ³ |

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 July 2009

³ Effective for annual periods beginning on or after 1 July 2008

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company are in the process of assessing the impact of these standards, amendment or interpretation on the results and the financial position of the Group.

3. REVENUE

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

| | Three months ended 31 March | |
|-----------------------------------|--|----------|
| | 2008 | 2007 |
| | HK\$'000 | HK\$'000 |
| CG creation and production income | 7,601 | 8,369 |
| Sales of goods | 3,211 | 8,610 |
| Training fee | 2,885 | 2,201 |
| Share of box office receipts | 1,582 | – |
| Technical service income | 991 | 532 |
| | 16,270 | 19,712 |

4. FINANCE COSTS

| | Three months ended 31 March | |
|---|--|----------|
| | 2008 | 2007 |
| | HK\$'000 | HK\$'000 |
| Interest on: | | |
| Loan from a fellow subsidiary | 524 | 2,179 |
| Bank borrowing wholly repayable within five years | 129 | 160 |
| Loans from other related parties | 18 | 49 |
| Finance leases | 9 | 36 |
| Others | – | 3 |
| | 680 | 2,427 |

5. GAIN ON DILUTION OF INTEREST IN A SUBSIDIARY

The amount for the three months ended 31 March 2007 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 by a subscriber at a consideration of US\$6.5 million (or equivalent to approximately HK\$50,570,000) in January 2007.

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"; for the purpose of this report, does not include Hong Kong, Macau and Taiwan) and being approved by the relevant PRC tax authority, some subsidiaries in the PRC are eligible for an exemption from PRC Enterprise Income Tax ("EIT") 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 in the next three years. For both periods, no provision for PRC EIT had been made in the unaudited condensed consolidated income statement as those PRC subsidiaries were either exempted from PRC EIT or did not have assessable profit for the period.

7. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

| | Three months ended | |
|--|---------------------------|-----------------|
| | 31 March | |
| | 2008 | 2007 |
| | HK\$'000 | HK\$'000 |

(Loss) earnings

| | | |
|--|-----------------|--------|
| (Loss) earnings for the purposes of basic and diluted (loss) earnings per share ((Loss) profit for the period attributable to equity holders of the Company) | (14,805) | 45,058 |
|--|-----------------|--------|

| | Three months ended | |
|--|---------------------------|-------------|
| | 31 March | |
| | 2008 | 2007 |
| | '000 | '000 |

Number of shares

| | | |
|--|------------------|---------|
| Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share | 1,295,246 | 837,577 |
|--|------------------|---------|

Effect of dilutive potential ordinary shares:

| | | |
|---------|---|--------|
| Options | - | 31,330 |
|---------|---|--------|

| | | |
|--|------------------|---------|
| Weighted average number of ordinary shares for the purposes of diluted (loss) earnings per share | 1,295,246 | 868,907 |
|--|------------------|---------|

No diluted loss per share has been calculated for the three months ended 31 March 2008 as the exercise of the share options would reduce loss per share for the period.

8. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to equity holders of the Company | | | | | | | | | | | | | |
|---|---|---------------|----------|----------------------|----------|-------------------|---------------|----------|-----------------|--------------------|----------|---------------------------------------|--------------------|----------|
| | Share capital | Share premium | | Capital contribution | | Statutory reserve | Share options | | Special reserve | Accumulated losses | | Share options reserve of a subsidiary | Minority interests | Total |
| | | account | reserve | reserve | surplus | | reserve | reserve | | reserve | reserve | | | |
| | HK\$'000 | HK\$'000 | 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 2008 | 12,952 | 589,670 | 445 | 40,271 | 680 | 39,261 | 3,066 | (46,366) | (281,943) | 358,036 | 15,988 | 61,167 | 435,191 | |
| Exchange differences on translation of foreign operations recognised directly in equity | - | - | - | - | - | - | 12,502 | - | - | 12,502 | - | 492 | 12,994 | |
| Loss for the period | - | - | - | - | - | - | - | - | (14,805) | (14,805) | - | (2,247) | (17,052) | |
| Total recognised income and expenses for the period | - | - | - | - | - | - | 12,502 | - | (14,805) | (2,303) | - | (1,755) | (4,058) | |
| At 31 March 2008 | 12,952 | 589,670 | 445 | 40,271 | 680 | 39,261 | 15,568 | (46,366) | (296,748) | 355,733 | 15,988 | 59,412 | 431,133 | |
| 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 translation of foreign operations 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) | |
| Increase in minority share of a subsidiary | - | - | - | - | - | - | - | - | - | - | - | 9,940 | 9,940 | |
| Exercise of share options | 109 | 4,037 | - | - | - | (873) | - | - | - | 3,273 | - | - | 3,273 | |
| Recognition of equity-settled share based payments | - | - | - | - | - | 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) | |

9. SUBSEQUENT EVENT

The Board intended to put forward a proposed to shareholders of the Company for a reduction of the share premium account of the Company pursuant to section 46 of The Companies Act 1981 of Bermuda (as amended), details of which are set out in the announcement of the Company dated 24 April 2008. The reduction of share premium account will be conditional upon, (i) approval of shareholders of the Company at the special general meeting dated 6 June 2008; and (ii) compliance with the requirements of section 46(2) of The Companies Act 1981 of Bermuda (as amended).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

Revenue for the three months ended 31 March 2008 was approximately HK\$16,270,000, when compared with that of approximately HK\$19,712,000 for the corresponding period in the year 2007, represented a decrease of approximately 17%. The decrease was mainly attributable to the decrease in revenue from sales of goods and computer graphic ("CG") creation and production income of approximately HK\$5,399,000 and HK\$768,000, respectively, netting off with the share of box office receipts from 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) cooperated by China Film Group Corporation ("CFG") and the Group (the "PRC Digital Cinema Project") of approximately HK\$1,582,000 during the period.

Cost of sales for the three months ended 31 March 2008 amounted to approximately HK\$15,970,000 which, comparing with that of approximately HK\$7,499,000 for the corresponding period in the year 2007, represented an increase of approximately 113%.

The Group made a gross profit of approximately HK\$300,000 for the three months ended 31 March 2008, representing a gross profit margin of approximately 2%. Comparing with the gross profit margin of approximately 62% for the corresponding period in the year 2007, the decrease was mainly due to the inclusion of amortisation of intangible asset of the PRC Digital Cinema Project of approximately HK\$6,633,000 in the amount of cost of sales.

Other income for the three months ended 31 March 2008 amounted to approximately HK\$1,324,000 (2007: HK\$7,556,000), representing a decrease of approximately 82%. The decrease was mainly due to the amount for the corresponding period in the year 2007 included one-off income upon waiver of certain interest payable on other loan and rental payable amounted to approximately HK\$4,156,000 and HK\$3,228,000, respectively.

Administrative expenses for the three months ended 31 March 2008 amounted to approximately HK\$14,878,000 (2007: HK\$9,836,000), representing an increase of approximately 51%. The increase was as a result of growth in the operations of the Group.

Finance costs for the three months ended 31 March 2008 amounted to approximately HK\$680,000 (2007: HK\$2,427,000), representing a decrease of approximately 72%. The decrease was mainly attributable to decrease in interest to a fellow subsidiary of approximately HK\$1,655,000.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL OVERVIEW *(Continued)*

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 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 by a subscriber at a consideration of US\$6.5 million (or equivalent to approximately HK\$50,570,000) in January 2007.

Overall, the Group recorded loss of approximately HK\$14,805,000 for the three months ended 31 March 2008 attributable to equity holders of the Company, when compared with that profit of approximately HK\$45,058,000 for the corresponding period in the year 2007.

BUSINESS REVIEW AND OUTLOOK

Digital content distribution and exhibitions

The performance of digital content distribution and exhibitions division depends on two important factors, namely, Virtual Print Fees ("VPF") financing and direct orders from exhibitors. During this period, because of the lack of new VPF financing, the deployment of digital cinemas worldwide slow down. However, a NASDAQ listed company, which is the largest (VPF based) digital cinema deployment entity, just signed a new VPF deal recently with four Hollywood studios for the second phase of deployment of another 10,000 digital cinemas, as such the second phase of deployment of digital cinemas in the United States has yet to begin.

The Group continues to market its products through participation in international trade exhibitions and high profile demonstration projects. During this period, the Group launched a new digital cinema product – True 3D™ Digital Cinema System in the United States. The new True 3D™ server was demonstrated with two stacked DLP Cinema™ projectors, producing 4.5 ft-L of light to each eye. According to the industrial observers, this is the first and unique digital cinema server capable of playing full-bandwidth, 12-bit 4:4:4 color representation to two projectors. More importantly, the new True 3D™ server is able to present bigger and brighter 3D images than a single projector 3D and render 500 times more color information than those supplied by competitors. At present, only the new True 3D™ server can meet the preferred requirement of the Digital Cinema Initiative ("DCI") stereoscopic specifications.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW AND OUTLOOK *(Continued)*

Digital content distribution and exhibitions *(Continued)*

The Group continues to deliver range of products designed for the exhibitors around the world and develop new products that aim to meet more than the standard DCI specifications. The new True 3D™ server newly developed will differentiate the Group's digital cinema technology from its competitors. With the growing need of 3D digital cinema, the Group anticipates revenue from this new product to be generated in the near future.

Furthermore, the PRC Digital Cinema Project installed about 450 units of digital cinema equipment to cinemas in all the 27 provinces in the PRC and began to generate revenue during this period. With the increase in the deployment of digital cinemas in the PRC, more digital contents will be released and the performance of the PRC Digital Cinema Project will be better. Besides, CFGC and the Group have also explored the alternative revenue in addition to the share of box office receipts for the PRC Digital Cinema Project.

CG creation and production

Due to the slow down of global economy since late 2007, production of several projects was delayed by some of the clients, it resulted in lower revenue and profit for the CG creation and production division during this period. However, the Group monitored the progress of the respective projects closely to well prepare internally once these projects commence.

Besides, the Group is actively developing new clients and is in the final stage of discussion for some major deals with world leading entertainment brands. The Group also discusses co-production opportunities with several large North American children's entertainment content development and broadcasting companies. Many existing and prospective clients have expressed the desire for long term and multi-project relationship with the Group based on the demonstrated track record of offering reliable, cost effective, high quality CG production services to international market.

To deal with the expected growth in orders, the Group established a subsidiary in the city of Chongqing and the production studio there is under construction.

Furthermore, the Group's second full-length feature CGI film, "Happy Little Submarines", a co-production with a Hollywood leading animation studio, will be released in summer 2008 in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW AND OUTLOOK *(Continued)*

CG training

CG training division continues its strategy towards professionalism. In addition to the existing training courses on the knowledge of CG production, the Group opens a new professional training programme for the game industry, including comprehensive training materials and case studies. The Group also cooperated with the high schools for “Skill and Qualification” training programme, tailor make some vocational training courses for their students to achieve their aim to have “One Diploma, Several Certifications”.

In addition to the Group’s training centres in Shanghai and Shenzhen, the Group plans to further expand its training network by setting up direct operation training sites throughout the PRC, the Group has already set up one site in Wuxi.

INTERIM DIVIDEND

The Board did not declare an interim dividend for the three months ended 31 March 2008 (2007: Nil).

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 period under review.

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

The Directors who held office at 31 March 2008 had the following interests in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as at 31 March 2008 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 the required standard of dealings by Directors as referred to in rule 5.46 of the GEM Listing Rules:

(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 31.03.2008 |
|----------------------------|--------------------------------------|---|---|-----------------|--|
| | | Interests in shares | Interests under equity derivatives* | Total interests | |
| Cao Zhong | Beneficial owner | 8,008,200 | 4,900,000 | 12,908,200 | 1.00% |
| Chen Zheng | Beneficial owner | 8,008,200 | 4,900,000 | 12,908,200 | 1.00% |
| Jin Guo Ping | Beneficial owner | – | 8,008,200 | 8,008,200 | 0.62% |
| Lu Yi, Gloria | Beneficial owner | – | 12,000,000 | 12,000,000 | 0.93% |
| Leung Shun Sang, Tony | Beneficial owner | 8,008,200 | 4,900,000 | 12,908,200 | 1.00% |
| Kwong Che Keung, Gordon | Beneficial owner | 800,820 | 490,000 | 1,290,820 | 0.10% |
| Bu Fan Xiao | Beneficial owner | – | 1,290,820 | 1,290,820 | 0.10% |
| Hui Hung, Stephen | Beneficial owner | 800,820 | 490,000 | 1,290,820 | 0.10% |

* *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 Options" 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 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 31.03.2008 |
|--------------------------|--------------------------------------|--|---|-----------------|---|
| | | Interests in shares | Interests under equity derivatives* | Total interests | |
| Cao Zhong | Beneficial owner | – | 22,868,000 | 22,868,000 | 1.99% |
| Chen Zheng | Beneficial owner | – | 18,368,000 | 18,368,000 | 1.60% |
| 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 Tech"), an associated corporation of the Company

| Name of Director | Capacity in which interests are held | Number of shares/ underlying shares held in GDC Tech | | | Total interests as to % to the issued share capital of GDC Tech as at 31.03.2008 |
|----------------------------|--------------------------------------|--|---|-----------------|---|
| | | Interests in shares | Interests under equity derivatives* | Total interests | |
| Cao Zhong | Beneficial owner | 8,533,334 | 1,650,000 | 10,183,334 | 4.38% |
| Chen Zheng | Beneficial owner | 8,533,334 | 1,650,000 | 10,183,334 | 4.38% |
| Lu Yi, Gloria | Beneficial owner | – | 12,000,000 | 12,000,000 | 5.16% |
| Leung Shun Sang, Tony | Beneficial owner | 2,130,000 | 1,653,333 | 3,783,333 | 1.63% |
| Kwong Che Keung, Gordon | Beneficial owner | 1,706,667 | 165,000 | 1,871,667 | 0.80% |
| Bu Fan Xiao | Beneficial owner | – | 165,000 | 165,000 | 0.07% |
| Hui Hung, Stephen | Beneficial owner | – | 165,000 | 165,000 | 0.07% |

* The relevant interests are unlisted physically settled options granted pursuant to GDC Tech'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\$0.10 each in the share capital of GDC Tech 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 Options" below.

Save as disclosed above, as at 31 March 2008, none of the Company's Directors, chief executives or their respective associates had any other personal, family, corporate and other 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 as referred to in rule 5.46 of the GEM Listing Rules.

Other than those disclosed in this section and the section headed "Share Options", 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 2008.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 March 2008, according to the register kept by the Company under Section 336 of the SFO, the following companies and persons had long positions of 5% or more in the shares or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV 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 31.03.2008 |
|---|--------------------------------------|--------------------------------------|---|
| Shougang Holding (Hong Kong) Limited ("Shougang Holding") | Interests of controlled corporations | 661,164,023 (Note) | 51.05% |
| Wheeling Holdings Limited ("Wheeling") | Interests of controlled corporations | 661,164,023 (Note) | 51.05% |
| Shougang Grand | Interests of controlled corporations | 661,164,023 (Note) | 51.05% |
| SCG Investment (BVI) Limited ("SCG Investment") | Interests of controlled corporations | 661,164,023 (Note) | 51.05% |
| Grand Phoenix Limited ("Grand Phoenix") | Interests of controlled corporations | 656,360,023 (Note) | 50.67% |
| Upper Nice Assets Ltd. ("Upper Nice") | Beneficial owner | 656,360,023 (Note) | 50.67% |
| Keywise Capital Management (HK) Limited | Investment manager | 176,824,000 | 13.65% |
| Keywise Greater China Opportunities Master Fund | Beneficial owner | 113,030,000 | 8.73% |

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO *(Continued)*

Long positions in the shares of the Company *(Continued)*

Note: Upper Nice was a wholly-owned subsidiary of Grand Phoenix and its interest was included in the interests held by Grand Phoenix.

Grand Phoenix was a wholly-owned subsidiary of SCG Investment and its interest was included in the interests held by SCG Investment.

SCG Investment was a wholly-owned subsidiary of Shougang Grand and its interest was included in the interests held by Shougang Grand.

Shougang Grand was held as to approximately 37.40% by Wheeling and its interest was included in the interests held by Wheeling.

Wheeling was a wholly-owned subsidiary of Shougang Holding and its interest was included in the interests held by Shougang Holding.

Save as disclosed above, as at 31 March 2008, the Company has not been notified of any other person (other than the Directors and chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTIONS

(a) Share options 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 2008. Details of outstanding share options under the Scheme during the period were 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 of the Company | | | | |
| Cao Zhong | 4,900,000 | 30.10.2007 | 30.10.2007 – 29.10.2012 | HK\$2.75 |
| Chen Zheng | 4,900,000 | 30.10.2007 | 30.10.2007 – 29.10.2012 | HK\$2.75 |
| Jin Guo Ping | 8,008,200 | 06.10.2006 | 06.10.2006 – 05.10.2009 | HK\$0.30 |
| Lu Yi, Gloria | 12,000,000 | 30.10.2007 | 30.10.2007 – 29.10.2012 | HK\$2.75 |
| Leung Shun Sang, Tony | 4,900,000 | 30.10.2007 | 30.10.2007 – 29.10.2012 | HK\$2.75 |
| Kwong Che Keung, Gordon | 490,000 | 30.10.2007 | 30.10.2007 – 29.10.2012 | HK\$2.75 |
| Bu Fan Xiao | 800,820 | 06.10.2006 | 06.10.2006 – 05.10.2009 | HK\$0.30 |
| | 490,000 | 30.10.2007 | 30.10.2007 – 29.10.2012 | HK\$2.75 |
| | <u>1,290,820</u> | | | |
| Hui Hung, Stephen | 490,000 | 30.10.2007 | 30.10.2007 – 29.10.2012 | HK\$2.75 |
| | <u>36,979,020</u> | | | |
| Employees of the Group | | | | |
| | 2,300,000 | 22.03.2007 | 22.03.2007 – 21.03.2010 | HK\$1.07 |
| | 2,262,000 | 04.04.2007 | 04.04.2007 – 03.04.2010 | HK\$1.52 |
| | 9,900,000 | 30.10.2007 | 30.10.2007 – 29.10.2012 | HK\$2.75 |
| | <u>14,462,000</u> | | | |
| Other Participants | | | | |
| | 2,500,820 | 06.10.2006 | 06.10.2006 – 05.10.2009 | HK\$0.30 |
| | 1,781,000 | 04.04.2007 | 04.04.2007 – 03.04.2010 | HK\$1.52 |
| | <u>4,281,820</u> | | | |
| | <u>55,722,840</u> | | | |

SHARE OPTIONS *(Continued)*

(b) Share options of a subsidiary of the Company – GDC Tech

On 19 September 2006, the GDC Tech Scheme was adopted by the shareholders of the Company and Shougang Grand. No share option was granted, exercised, cancelled or lapsed in accordance with the terms of the GDC Tech Scheme during the three months ended 31 March 2008. Details of outstanding share options under the GDC Tech Scheme during the period were as follows:

| Category or name of grantees | Options to subscribe for shares of GDC Tech at the beginning and at the end of the period | Date of grant | Exercise period | Exercise price per share |
|---------------------------------|---|---------------|-------------------------|--------------------------|
| Directors of the Company | | | | |
| Cao Zhong | 1,650,000 | 02.11.2007 | 02.11.2007 – 01.11.2012 | HK\$2.00 |
| Chen Zheng | 1,650,000 | 02.11.2007 | 02.11.2007 – 01.11.2012 | HK\$2.00 |
| Lu Yi, Gloria | 12,000,000 | 02.11.2007 | 02.11.2007 – 01.11.2012 | HK\$2.00 |
| Leung Shun Sang, Tony | 3,333 ¹ | 29.09.2006 | 29.09.2006 – 28.09.2009 | HK\$0.145 |
| | <u>1,650,000</u> | 02.11.2007 | 02.11.2007 – 01.11.2012 | HK\$2.00 |
| | <u>1,653,333</u> | | | |
| Kwong Che Keung, Gordon | 165,000 | 02.11.2007 | 02.11.2007 – 01.11.2012 | HK\$2.00 |
| Bu Fan Xiao | 165,000 | 02.11.2007 | 02.11.2007 – 01.11.2012 | HK\$2.00 |
| Hui Hung, Stephen | 165,000 | 02.11.2007 | 02.11.2007 – 01.11.2012 | HK\$2.00 |
| | <u>165,000</u> | | | |
| | <u>17,448,333</u> | | | |
| Employees of the Group | | | | |
| | 4,563,332 | 05.10.2006 | 05.10.2006 – 04.10.2009 | HK\$0.145 |
| | <u>1,650,000</u> | 02.11.2007 | 02.11.2007 – 01.11.2012 | HK\$2.00 |
| | <u>6,213,332</u> | | | |
| Other Participants | | | | |
| | <u>1,173,333</u> | 29.09.2006 | 29.09.2006 – 28.09.2009 | HK\$0.145 |
| | <u>24,834,998</u> | | | |

Note:

- The number of share options granted to Mr. Leung Shun Sang, Tony on 29 September 2006 exceeded the individual limit of 1% of the shares of GDC Tech then in issue and were approved by the shareholders of the Company and Shougang Grand on 19 September 2006 respectively.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

Notes:

1. *Shougang Grand indirectly held approximately 51.78% interests in the Company as at 31 March 2008.*
2. *Such businesses may be carried out through its subsidiaries or associates or by way of other forms of investments.*

Save as disclosed above, during the three months ended 31 March 2008, none of the Directors or the management shareholders of the Company or any of its subsidiaries or any of their respective associates, had any interests in a business which competed or may compete with the business of the Group.

AUDIT COMMITTEE

The Audit Committee has reviewed the 2008 first quarterly results of the Group. A meeting of the Audit Committee was held with the management of the Company on 6 May 2008 for, amongst other things, reviewing the first quarterly results of the Group for the period ended 31 March 2008.

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 management and staff for their hard work and dedication throughout the period.

By Order of the Board

Cao Zhong

Chairman

14 May 2008