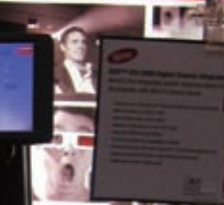




環球數碼創意控股有限公司*
Global Digital Creations Holdings Limited

(Incorporated in Bermuda with limited liability)
Stock Code : 8271



Interim Report 2009

**For identification purpose only*

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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

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)
Hui Hung, Stephen
(Independent Non-executive Director)
Japhet Sebastian Law
(Independent Non-executive Director)

Executive Committee

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

Audit Committee

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

Nomination Committee

Cao Zhong (*Chairman*)
Leung Shun Sang, Tony (*Vice Chairman*)
Kwong Che Keung, Gordon
Hui Hung, Stephen
Japhet Sebastian Law

Remuneration Committee

Leung Shun Sang, Tony (*Chairman*)
Cao Zhong (*Vice Chairman*)
Kwong Che Keung, Gordon
Hui Hung, Stephen
Japhet Sebastian Law

Compliance Officer

Chen Zheng

Company Secretary

Cheng Man Ching *FCIS, FCS*

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

INTERIM 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 and the six months ended 30 June 2009 with comparative figures for the corresponding periods in 2008.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the periods ended 30 June 2009

	NOTES	Three months ended 30 June		Six months ended 30 June	
		2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
Revenue	3	89,936	14,972	161,056	31,242
Cost of sales	5	(75,117)	(19,283)	(127,705)	(35,253)
Gross profit (loss)		14,819	(4,311)	33,351	(4,011)
Other income	6	1,676	852	8,281	2,176
Distribution costs and selling expenses		(1,592)	(1,770)	(3,519)	(4,479)
Administrative expenses		(23,522)	(12,925)	(38,598)	(27,803)
Changes in fair value of held-for-trading investments		1,183	–	856	–
Finance costs	7	(193)	(853)	(668)	(1,533)
Share of loss of an associate		(124)	(253)	(289)	(662)
Other expense		–	(22,202)	–	(22,202)
Loss before tax		(7,753)	(41,462)	(586)	(58,514)
Income tax expense	8	(1,539)	–	(2,573)	–
Loss for the period	9	(9,292)	(41,462)	(3,159)	(58,514)
Other comprehensive income:					
Exchange differences on translation of foreign operations		–	6,097	(54)	19,091
Total comprehensive income for the period		(9,292)	(35,365)	(3,213)	(39,423)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

For the periods ended 30 June 2009

	NOTE	Three months ended 30 June		Six months ended 30 June	
		2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
Loss for the period attributable to:					
Owners of the Company		(13,979)	(39,775)	(9,614)	(54,580)
Minority interests		4,687	(1,687)	6,455	(3,934)
		(9,292)	(41,462)	(3,159)	(58,514)
Total comprehensive income for the period attributable to:					
Owners of the Company		(13,979)	(33,614)	(9,648)	(35,917)
Minority interests		4,687	(1,751)	6,435	(3,506)
		(9,292)	(35,365)	(3,213)	(39,423)
				<i>HK cents</i>	<i>HK cents</i>
Loss per share:	11				
Basic		(1.08)	(3.07)	(0.74)	(4.21)
Diluted		N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2009

		30 June	31 December
		2009	2008
	<i>NOTES</i>	HK\$'000	<i>HK\$'000</i>
		(unaudited)	(audited)
Non-current assets			
Property, plant and equipment	12	57,522	28,265
Intangible asset	13	–	244,111
Available-for-sale investment	14	568	–
Prepaid lease payments		5,867	5,924
Interest in an associate		21,567	21,856
Convertible loan receivable	15	115,818	–
Pledged bank deposit	16	19,585	665
Advance	15	–	68,182
		220,927	369,003
Current assets			
Inventories		30,800	15,682
Amounts due from customers for contract work	17	3,135	16,935
Trade receivables	18	55,790	7,375
Prepayments, deposits and other receivables	19	98,235	13,436
Prepaid lease payments		120	125
Held-for-trading investments		2,395	1,539
Pledged bank deposit	16	2,808	2,808
Bank balances and cash		102,248	72,155
		295,531	130,055

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*(Continued)*

At 30 June 2009

	NOTES	30 June 2009 HK\$'000 (unaudited)	31 December 2008 HK\$'000 (audited)
Current liabilities			
Income received in advance		36,487	26,792
Amounts due to customers for contract work	17	1,023	1,763
Trade payables	20	29,447	6,874
Other payables and accruals		34,241	26,622
Amounts due to fellow subsidiaries		1,874	13,315
Amount due to an associate	21	20,874	–
Tax liabilities		3,000	967
Loan from a fellow subsidiary – due within one year		–	30,000
Secured bank borrowing – due within one year	22	14,773	14,773
		141,719	121,106
Net current assets		153,812	8,949
Net assets		374,739	377,952
Capital and reserves			
Issued capital	23	12,952	12,952
Retained earnings		21,466	31,075
Other reserves		260,970	261,004
Equity attributable to owners of the Company		295,388	305,031
Share options reserve of a subsidiary		15,833	15,838
Minority interests		63,518	57,083
Total equity		374,739	377,952

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2009

	Issued capital HK\$'000	Share premium reserve HK\$'000	Capital contribution reserve HK\$'000	Contributed surplus reserve HK\$'000	Statutory reserve HK\$'000	Share options reserve HK\$'000	Exchange reserve HK\$'000	Special reserve HK\$'000	(Deficit) 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 2008 (audited)	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	-	-	-	-	-	-	18,663	-	-	18,663	-	428	19,091
Loss for the period	-	-	-	-	-	-	-	-	(54,580)	(54,580)	-	(3,934)	(58,514)
Total comprehensive income for the period	-	-	-	-	-	-	18,663	-	(54,580)	(35,917)	-	(3,506)	(39,423)
Sub-total	12,952	589,670	445	40,271	680	39,261	21,729	(46,366)	(336,523)	322,119	15,988	57,661	395,768
Reduction of share premium reserve (Note)	-	(589,670)	-	589,670	-	-	-	-	-	-	-	-	-
Elimination of deficit (Note)	-	-	-	(384,060)	-	-	-	-	384,060	-	-	-	-
Cancellation of share options granted by a subsidiary	-	-	-	-	-	-	-	-	7	7	(7)	-	-
At 30 June 2008 (unaudited)	12,952	-	445	245,881	680	39,261	21,729	(46,366)	47,544	322,126	15,981	57,661	395,768
At 1 January 2009 (audited)	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)
(Loss) profit for the period	-	-	-	-	-	-	-	-	(9,614)	(9,614)	-	6,455	(3,159)
Total comprehensive income for the period	-	-	-	-	-	-	(34)	-	(9,614)	(9,648)	-	6,435	(3,213)
Sub-total	12,952	-	445	245,881	680	38,765	21,565	(46,366)	21,461	295,383	15,838	63,518	374,739
Cancellation of share options granted by a subsidiary	-	-	-	-	-	-	-	-	5	5	(5)	-	-
At 30 June 2009 (unaudited)	12,952	-	445	245,881	680	38,765	21,565	(46,366)	21,466	295,388	15,833	63,518	374,739

Note: A special resolution was passed by shareholders of the Company at the Special General Meeting of the Company held on 6 June 2008 and completed thereafter whereby an amount of approximately HK\$589,670,000 standing to the credit of the share premium reserve of the Company as at 31 December 2007 had been reduced with the credit arising therefrom being transferred to the contributed surplus reserve of the Company. Upon the said transfer became effective, an amount of approximately HK\$384,060,000 standing to the credit of the contributed surplus reserve of the Company had been applied to eliminate the deficit of the Company as at 31 December 2007. The Company had complied with the requirement of section 46(2) of The Companies Act 1981 of Bermuda (as amended). Details of which were set out in the circular of the Company dated 9 May 2008.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 June 2009

	Six months ended	
	30 June	
	2009	2008
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Operating activities		
Loss before tax	(586)	(58,514)
Adjustments for:		
Amortisation of intangible asset	633	14,098
Allowance for (reversal of) doubtful debts	4,201	(230)
Allowance for inventories	3,324	–
Changes in fair value of held-for-trading investments	(856)	–
Gain on disposal of intangible asset	(2,543)	–
Other non-cash items	(54)	4,177
Operating cash flows before movements in working capital	4,119	(40,469)
Movements in working capital	(33,594)	(7,322)
Cash used in operations	(29,475)	(47,791)
Income taxes paid	(540)	(809)
Net cash used in operating activities	(30,015)	(48,600)
Investing activities		
Proceeds from disposal of intangible asset, net of transaction costs	168,703	–
Investment in a convertible loan receivable	(45,454)	–
Purchase of property, plant and equipment	(34,970)	(4,545)
(Increase) decrease in pledged bank deposits	(18,920)	4,992
Investment in an associate	–	(21,084)
Acquisition of intangible asset	–	(1,798)
Prepaid lease payments	–	(314)
Other investing cash flows	588	2,710
Net cash from (used in) investing activities	69,947	(20,039)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*(Continued)**For the period ended 30 June 2009*

	Six months ended	
	30 June	
	2009	2008
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Financing activities		
Repayment of loan from a fellow subsidiary	(30,000)	–
Repayment of bank loan	(14,773)	(13,898)
Repayment of advance from other related party	–	(364)
Advance from an associate	20,874	–
New bank loan raised	14,773	14,773
Other financing cash flows	(668)	(885)
Net cash used in financing activities	(9,794)	(374)
Net increase (decrease) in cash and cash equivalents	30,138	(69,013)
Cash and cash equivalents at beginning of the period	72,155	210,377
Effect of foreign exchange rate changes	(45)	1,101
Cash and cash equivalents at end of the period	102,248	142,465

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended 30 June 2009

1. BASIS OF PREPARATION

The condensed consolidated financial statements have 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 and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments that are measured at fair values.

A number of new or revised Standards and Interpretations are effective for the financial year beginning on 1 January 2009. Except as described below, the same accounting policies, presentation and methods of computation have been followed in these condensed consolidated financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 December 2008.

HKAS 1 (revised 2007) "Presentation of Financial Statements"

(effective for annual periods beginning on or after 1 January 2009)

HKAS 1 (revised 2007) has introduced a number of terminology changes (including revised titles for the condensed consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. However, HKAS 1 (revised 2007) has had no impact on the reported results or financial position of the Group.

The Group has not early applied any new and revised standards, amendments or interpretations that have been issued but are not yet effective. 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. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the periods ended 30 June 2009

3. REVENUE

An analysis of the Group's revenue is as follows:

	Three months ended		Six months ended	
	30 June		30 June	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales of goods	75,811	5,916	126,422	9,127
Revenue from contracts for computer graphic ("CG") creation and production	6,447	3,697	21,002	11,298
Training fee	4,837	3,139	9,345	6,024
Technical service income	2,327	157	2,721	1,148
Rental income from equipment leasing	514	–	996	–
Receipts from exhibition of digital motion pictures	–	1,221	–	1,221
Royalty income from share of box office receipts	–	842	570	2,424
	89,936	14,972	161,056	31,242

4. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (HKAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. However, in prior years' segment information reported externally and to the Group's Chief Executive Officer for the purposes of resource allocation and assessment of performance was the same and analysed on the basis of the Group's operating divisions (i.e. CG creation and production, digital content distribution and exhibitions, deployment of digital cinema network in Asia (a new division for the six months ended 30 June 2009) and CG training courses). As a result, following the adoption of HKFRS 8, the identification of the Group's reportable segments has not changed.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the periods ended 30 June 2009

4. SEGMENT INFORMATION *(Continued)*

Segment information about these businesses is presented below:

Six months ended 30 June 2009

	CG creation and production HK\$'000 (unaudited)	Digital content distribution and exhibitions HK\$'000 (unaudited)	Deployment of digital cinema network in Asia HK\$'000 (unaudited)	CG training courses HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
Revenue	21,002	130,709	-	9,345	161,056
Segment result	(16,662)	21,502	(1,953)	3,081	5,968
Investment revenue					2,206
Central administration costs					(8,659)
Changes in fair value of held-for-trading investments					856
Finance costs					(668)
Share of loss of an associate	-	(289)	-	-	(289)
Loss before tax					(586)

Six months ended 30 June 2008

	CG creation and production HK\$'000 (unaudited)	Digital content distribution and exhibitions HK\$'000 (unaudited)	CG training courses HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
Revenue	12,519	12,699	6,024	31,242
Segment result	(7,965)	(41,770)	193	(49,542)
Investment revenue				1,658
Central administration costs				(8,435)
Finance costs				(1,533)
Share of loss of an associate	-	(662)	-	(662)
Loss before tax				(58,514)

All of the segment revenue reported above is from external customers.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the periods ended 30 June 2009

4. SEGMENT INFORMATION *(Continued)*

Segment result represents the profit earned or loss incurred by each segment without allocation of investment revenue, central administration costs, changes in fair value of held-for-trading investments, finance costs and share of loss of an associate. This is the measure reported to the Group's Chief Executive Officer for the purposes of resources allocation and assessment of segment performance.

5. COST OF SALES

Cost of sales for the six months ended 30 June 2009 included amortisation of intangible asset, which represented the contractual rights to share a specified percentage of the box office receipts from certain cinemas in the People's Republic of China (the "PRC"; for the purpose of this report, does not include Hong Kong, Macau and Taiwan) using the digital cinema equipment installed by the Group for exhibition of digital contents, of approximately HK\$633,000 (Six months ended 30 June 2008: approximately HK\$14,098,000).

6. OTHER INCOME

Other income for the six months ended 30 June 2009 primarily comprised:

- Interest income of approximately HK\$2,452,000 (Six months ended 30 June 2008: approximately HK\$1,657,000);
- Gain of approximately HK\$2,543,000 (Six months ended 30 June 2008: Nil) on disposal of intangible asset to China Film Group Corporation ("CFG"), the majority shareholder of an associate of the Group at a consideration of RMB223,791,600 (equivalent to approximately HK\$254,227,000), of which RMB150,000,000 (equivalent to approximately HK\$170,455,000) has been settled during the period. The remaining balance is recognised as other receivable (see note 19) as at 30 June 2009. 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; and
- Imputed interest income derived from the deferred consideration of the disposal of intangible asset of approximately HK\$2,062,000 (Six months ended 30 June 2008: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the periods ended 30 June 2009

7. FINANCE COSTS

	Three months ended		Six months ended	
	30 June		30 June	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest on:				
Bank borrowing wholly repayable				
within five years	193	313	389	442
Loan from a fellow subsidiary	–	523	279	1,047
Loan from other related party	–	10	–	28
Finance leases	–	7	–	16
	193	853	668	1,533

8. INCOMETAX EXPENSE

	Three months ended		Six months ended	
	30 June		30 June	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current tax:				
PRC Enterprise Income Tax ("EIT")	1,539	–	2,573	–

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

For the six months ended 30 June 2008, no provision for PRC EIT had been made in the condensed consolidated statement of comprehensive income as the PRC subsidiaries were either exempted from PRC EIT or did not have assessable profits for that period. For the six months ended 30 June 2009, the relevant tax rates for the Group's subsidiaries in the PRC ranged from 20% to 25% (Six months ended 30 June 2008: 18% to 25%).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the periods ended 30 June 2009

9. LOSS FOR THE PERIOD

	Three months ended 30 June		Six months ended 30 June	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Loss for the period has been arrived at after charging:				
Allowance for inventories	1,734	–	3,324	–
Allowance for (reversal of) doubtful debts	4,428	(230)	4,201	(230)
Amortisation of intangible asset (included in cost of sales)	–	7,465	633	14,098
Amortisation of prepaid lease payments	31	35	62	69
Depreciation	2,746	2,577	4,992	4,181
Less: amounts included in contracts work in progress	(944)	(216)	(1,386)	(622)
	1,802	2,361	3,606	3,559
Research and development costs	1,883	1,329	3,583	2,451

10. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2009 and 2008.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the periods ended 30 June 2009

11. LOSS PER SHARE

The calculation of the basic loss per share is based on the following data:

	Three months ended 30 June		Six months ended 30 June	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Loss				
Loss for the purposes of basic				
loss per share (loss for the period				
attributable to owners of the Company)	(13,979)	(39,775)	(9,614)	(54,580)
	'000	'000	'000	'000

Number of shares

Weighted average number of ordinary
shares for the purposes of basic
loss per share

	1,295,246	1,295,246	1,295,246	1,295,246
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No diluted loss per share has been calculated for the three months and six months ended 30 June 2009 and 2008 as the exercise of the share options would result in a decrease in the loss per share.

12. PROPERTY, PLANT AND EQUIPMENT

	Carrying values
	<i>HK\$'000</i>
At 1 January 2009 (audited)	28,265
Additions	34,970
Depreciation for the period	(4,992)
Disposals	(721)
At 30 June 2009 (unaudited)	57,522

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the periods ended 30 June 2009

13. INTANGIBLE ASSET

	Carrying value
	<i>HK\$'000</i>
At 1 January 2009 (audited)	244,111
Amortisation for the period (included in cost of sales)	(633)
Disposals	(243,478)
At 30 June 2009 (unaudited)	–

14. AVAILABLE-FOR-SALE INVESTMENT

As at 30 June 2009, the investment represented 5% equity interest in a private entity established in the PRC. The investment is measured at cost less impairment at each balance sheet date.

15. CONVERTIBLE LOAN RECEIVABLE

On 23 December 2008, the Group entered into a conditional agreement with Southern International Limited (the "Borrower") and its holding company whereby the Group agreed to advance a loan facility in the maximum principal amount of RMB100 million (equivalent to approximately HK\$113.6 million) (the "Loan Receivable") and the Borrower agreed to grant to the Group the exclusive rights and options to subscribe for an aggregate of up to 60% of the enlarged issued capital of the Borrower (the "Conversion Option"). Details of the transaction were set out in the circular of the Company dated 23 January 2009.

The transaction was approved by shareholders of the Company at the Special General Meeting of the Company on 17 February 2009, the advance of approximately HK\$68.2 million as at 31 December 2008 formed part of the Loan Receivable thereafter and the Group advanced the remaining approximately HK\$45.4 million to the Borrower during the six months ended 30 June 2009.

Since the entire instrument contained the Loan Receivable and the Conversion Option, the Group assessed the fair value of the Loan Receivable with reference to the prevailing market interest of similar non-convertible loans and appointed Messrs. Jones Lang LaSalle Sallmanns, an independent qualified professional valuer not connected with the Group, to ascertain the fair value of the Conversion Option. The Group concluded that the principal amount of the Loan Receivable approximated to its fair value at initial recognition and the fair value of the Conversion Option was insignificant at both initial recognition and 30 June 2009.

As at 30 June 2009, the carrying amount of the convertible loan receivable of approximately HK\$115.8 million comprises principal amount of RMB100 million (equivalent to approximately HK\$113.6 million) and the accrued interest thereon. The convertible loan receivable is stated at amortised cost using the effective interest method at 6% per annum less any identified impairment losses.

16. PLEDGED BANK DEPOSITS

The amounts represent deposits pledged to banks to secure a purchase of raw materials agreement (classified as current asset) and a construction agreement (classified as non-current asset) entered into with independent third parties. The pledged bank deposits will be released upon the settlement of the relevant agreements. As at 30 June 2009, the deposits carried interest rate at 0.08% (31 December 2008: 0.1%) and 5.103% (31 December 2008: 3.22%) per annum, respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the periods ended 30 June 2009

17. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

The following are details of contracts from CG production in progress at the balance sheet date:

	30 June 2009 HK\$'000 (unaudited)	31 December 2008 HK\$'000 (audited)
Contract costs incurred plus recognised profits		
less recognised losses	48,462	28,574
Less: progress billings	(46,350)	(13,402)
	2,112	15,172
Analysed for reporting purposes as:		
Amounts due from customers for contract work	3,135	16,935
Amounts due to customers for contract work	(1,023)	(1,763)
	2,112	15,172

18. TRADE RECEIVABLES

	30 June 2009 HK\$'000 (unaudited)	31 December 2008 HK\$'000 (audited)
Trade receivables	60,377	7,761
Less: allowance for doubtful debts	(4,587)	(386)
	55,790	7,375

The Group allows different credit periods to its trade customers from 30 days to 90 days depending on the type of products or services provided.

The allowance for doubtful debts as at 30 June 2009 includes individually impaired trade receivables with an aggregate balance of approximately HK\$4,428,000 in respect of which the customers were in financial difficulties or not fully satisfied with the quality of products produced by the CG creation and production division and the amounts were considered uncollectible.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the periods ended 30 June 2009

18. TRADE RECEIVABLES *(Continued)*

The following is an aged analysis of trade receivables, net of allowance for doubtful debts, at the balance sheet date:

	30 June 2009 HK\$'000 (unaudited)	31 December 2008 HK\$'000 (audited)
Within three months	55,154	5,003
Three to six months	508	672
Over six months	128	1,700
	55,790	7,375

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

As at 30 June 2009, the amount includes a receivable of approximately RMB72,854,000 (equivalent to approximately HK\$82,789,000) due from CFGC in connection with the unsettled sale proceeds from the disposal of intangible asset. The amount is unsecured, non-interest bearing and will be settled by two instalments on or before 1 September 2009 and 1 December 2009, respectively. The amount is stated at amortised cost using the effective interest method at approximately 5% per annum. Details of the transaction were set out in the circular of the Company dated 23 January 2009.

20. TRADE PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

	30 June 2009 HK\$'000 (unaudited)	31 December 2008 HK\$'000 (audited)
Within three months	14,121	5,325
Three to six months	15,148	76
Over six months	178	1,473
	29,447	6,874

The average credit period on purchases of goods is 60 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the periods ended 30 June 2009

21. AMOUNT DUE TO AN ASSOCIATE

The amount is unsecured, non-interest bearing and repayable on demand.

22. SECURED BANK BORROWING

During the six months ended 30 June 2009, the Group obtained a new bank loan of approximately HK\$14.8 million and repaid a bank loan of approximately HK\$14.8 million in accordance with the repayment terms. The new bank loan raised is denominated in Renminbi, secured by pledge of a property of a fellow subsidiary, carries interest at the People's Bank of China Renminbi Lending Rate per annum and is repayable within twelve months from the balance sheet date. The proceeds were used as general working capital for the Group.

23. ISSUED CAPITAL

Issued capital as at 30 June 2009 amounted to HK\$12,952,000. There were no movements in the issued capital of the Company in either the current or the prior interim reporting periods.

24. CONTINGENCIES AND COMMITMENTS

Capital commitments

	30 June 2009 HK\$'000 (unaudited)	31 December 2008 HK\$'000 (audited)
Capital expenditure contracted for but not provide in the condensed consolidated financial statements in respect of:		
Acquisition of property, plant and equipment	180,505	8,350

Litigation

There was no change to the litigation as set out in note 47 of the 2008 Annual Report of the Company.

INDEPENDENT REVIEW REPORT

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF GLOBAL DIGITAL CREATIONS HOLDINGS LIMITED

環球數碼創意控股有限公司

(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 5 to 22, which comprise the condensed consolidated statement of financial position of Global Digital Creations Holdings Limited (the "Company") and its subsidiaries as of 30 June 2009 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("HKSRE 2410") issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

INDEPENDENT REVIEW REPORT *(Continued)*

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Without qualifying our review conclusion, we draw attention to the fact that the condensed consolidated statement of comprehensive income and the relevant explanatory notes for each of the three-month period ended 30 June 2009 and 2008 disclosed in the interim financial information have not been reviewed in accordance with HKSRE 2410.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

10 August 2009

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

Revenue for the six months ended 30 June 2009 was approximately HK\$161,056,000, when compared with that of approximately HK\$31,242,000 for the corresponding period in the year 2008, represented an increase of approximately 416%. The increase was mainly attributable to increase in revenue from sales of goods and contracts for computer graphic (“CG”) creation and production by approximately HK\$117,295,000 and HK\$9,704,000, respectively.

Cost of sales for the six months ended 30 June 2009 amounted to approximately HK\$127,705,000, when compared with that of approximately HK\$35,253,000 for the corresponding period in the year 2008, represented an increase of approximately 262%.

The Group made a gross profit of approximately HK\$33,351,000 for the six months ended 30 June 2009, representing a gross profit margin of approximately 21%. Comparing with the gross loss of approximately HK\$4,011,000 for the corresponding period in the year 2008, the improvement was mainly due to increase in revenue and decrease in amortisation of intangible asset in the amount of cost of sales by approximately HK\$13,465,000.

Other income for the six months ended 30 June 2009 amounted to approximately HK\$8,281,000 (Six months ended 30 June 2008: HK\$2,176,000), representing an increase of approximately 281%. The increase was mainly due to the amount for this period 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 of approximately HK\$2,062,000.

Administrative expenses for the six months ended 30 June 2009 amounted to approximately HK\$38,598,000 (Six months ended 30 June 2008: HK\$27,803,000), representing an increase of approximately 39%. The increase was as a result of growth in the operations of the Group and inclusion of an allowance for doubtful debts of approximately HK\$4,201,000 for this period.

Other expense of approximately HK\$22,202,000 for the six months ended 30 June 2008 represented a one-off payment to CFGC for the acquisition of certain of its film distribution rights in the PRC during that period.

Overall, the Group recorded loss of approximately HK\$9,614,000 for the six months ended 30 June 2009 attributable to owners of the Company, when compared with that loss of approximately HK\$54,580,000 for the corresponding period in the year 2008.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW AND OUTLOOK

Digital content distribution and exhibitions

Attributed by breakthrough in the United States and other Asian markets such as South Korea and return of orders from the PRC, more digital cinema equipment were sold and the digital content distribution and exhibitions division reported a more than nine-fold increment in revenue to approximately HK\$130,709,000 for the six months ended 30 June 2009, when compared with that for the corresponding period in the year 2008. Since the set up of its office in the United States in late 2007, the Group has begun its sales and marketing activities to build up a sales network with key resellers there and signed agreements with the two largest cinema service providers to offer services through their networks in the United States. Sales of approximately 250 units of digital cinema servers were made in the United States during this period. In the PRC, upon termination of the cooperation with CFGC as mentioned above, the Group has been actively marketing its products to other key cinema chains landing orders from three key cinema chains in the PRC during this period.

The Group continues to market its products through participation in international trade exhibitions and high profile demonstration projects. In March 2009, the Group attended ShoWest 2009 with a strong line of product offerings which included an enhanced version of its best-selling digital cinema server, SA2100A, as well as its theatre management system, TMS1000. In April 2009, the Group also completed the integration of a 3D EQ technology to its digital cinema server. This new feature can significantly save the film distributors millions of dollars by adopting Digital Cinema Initiative ("DCI") requirement of a single 3D DCP format for digital cinema distribution. 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 DCI specifications, and can differentiate its technology from its competitors.

According to key industrial reports, the Hollywood studios are now supplying nearly all of their contents in the United States in digital format apart from a few specialised films. Together with more 3D titles coming, the digital cinema conversion worldwide begins and will take at least 5 years to complete.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW AND OUTLOOK *(Continued)*

Deployment of digital cinema network in Asia

In Asia (outside of the PRC), the Group has reached separate non-exclusive virtual print fee (“VPF”) agreements with five of the six major Hollywood studios for digital cinema deployment, of which these studios are committed to supply Asian exhibitors with feature film content digitally, as well as to make financial contributions towards the hardware cost of DCI compliant digital cinema equipment deployed. This milestone signals the Group’s on-going commitment to Asian exhibitors as a trusted partner in digital conversion. At present, the Group is in negotiation with exhibitors for moving forward with the VPF program and expects deployment of the digital cinema equipment will begin in the second half of this year.

CG creation and production

Despite the global economy downturn, increase in CG production orders made the CG creation and production division recorded revenue growth by approximately 68% to approximately HK\$21,002,000 for the six months ended 30 June 2009 as compared with that of the corresponding period in the year 2008. At present, there are seven CG production projects in progress, including films, DVD and television series, the customers come from North America, Europe and Australia. However, the Group was in discussion with one of the customers for adjustment on the completion deadline and content of an individual project, and made some allowance during this period due to this uncertainty. Nevertheless, revenue generated from this division is still expected to be more than last year.

Besides, two of the seven projects are co-production with large European and American animation content production and distribution companies, in which the Group has sole distribution right in the Chinese-speaking region and can share certain percentage from the global distribution. These partners actively work with the Group to insert “Chinese element” to these global projects, and the Group is proud of using the strong economic base and extensive distribution channels of these large children’s entertainment content production companies to introduce Chinese culture to children around the world. The Group is looking forward to these new contents bringing reasonable return to the Group and its partners.

To deal with business growth and increase market share, the Group’s subsidiary in Chongqing has already commenced its production and employed more than 140 employees. The production centres in Shenzhen and Chongqing are now using advanced network and IT technology to establish an integrated operation platform so that employees, facilities and management system at these two locations can interflow together. This multi-site CG production increases the Group’s ability in the CG business to expand the capacity and price adjustment, the Group can react promptly to changes in the market.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW AND OUTLOOK *(Continued)*

CG creation and production (Continued)

In addition, providing technical support and joint distribution with CFGC, the Group released a Belgium 3D animation film “Fly Me to the Moon” in 250 digital cinema multiplies across the PRC since 28 May 2009. The Group’s full-length feature CGI film “Happy Little Submarines”, which released in the PRC previously, was awarded as the “Best CGI Animation Film” of “Handsome Monkey Award” in the 5th China International Animation and Comic Festival. The Group’s progress in CG business is also recognised by the PRC government, the subsidiary of the Group in Shenzhen was granted “Key National Enterprises for Cultural in Shenzhen” in April 2009 and “2009 China Top 100 Growing Service Providers” in June 2009.

The Group is also actively developing new clients, several projects with world leading entertainment bands for animated television series and films are under negotiation. Many clients have expressed the desire for long-term and multi-project relationship with the Group based on the demonstrated track record of providing reliable, cost effective, high quality CG production services to international market.

CG training

CG training division continued to serve as a core component of its strategy towards professionalism and strengthening the training materials, recorded nearly 100% employment of the graduates continuously for several classes, and received more support from the PRC government. This division is able to achieve an “Upstream” result under the financial crisis and recorded steady growth in revenue of approximately 55% for the six months ended 30 June 2009 when compared with that of the corresponding period in the year 2008.

After completion of upgrading the existing training courses for the knowledge of CG production, on-line and other games, the Group has organised new professional training programmes for other areas, including after effects, virtual reality and case studies for animation to cope with the market needs. Besides, the Group continues to co-operate with famous high schools in the PRC for organising “Skill and Qualification” training programme to their students to achieve their aim to get “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 and Shenzhen and direct operation training sites in Chongqing and Wuxi, the Group set up a new direct operation training site in Guangzhou and plans to set up one more site in the North to cover all four corners of the PRC. At the same time, the Group will further develop its training network to those areas in the PRC with developed animation industry.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

LIQUIDITY AND FINANCIAL RESOURCES

The Group had bank balances and cash of approximately HK\$102.2 million as at 30 June 2009 (31 December 2008: HK\$72.2 million) and pledged bank deposits of approximately HK\$22.4 million as at 30 June 2009 (31 December 2008: HK\$3.5 million) which were mainly denominated in Hong Kong dollars, Renminbi and United States dollars. The increase was mainly from net proceeds from disposal of intangible asset of approximately HK\$168.7 million and advance from an associate of approximately HK\$20.9 million, netting off with investment in a convertible loan receivable of approximately HK\$45.5 million, purchase of property, plant and equipment of approximately HK\$35.0 million, repayment of loan from a fellow subsidiary of HK\$30.0 million, and net cash used in operating activities of approximately HK\$30.0 million.

As at 30 June 2009, the Group's borrowings amounted to approximately HK\$14.8 million, of which were repayable within twelve months from 30 June 2009.

Gearing ratio (calculated as borrowings divided by equity attributable to owners of the Company) as at 30 June 2009 was approximately 5% (31 December 2008: 15%). As at 30 June 2009, the Group has current ratio of approximately 2.1 (31 December 2008: 1.1) based on current assets of approximately HK\$295.5 million and current liabilities of approximately HK\$141.7 million. The Group's leverage improved was mainly attributable to net proceeds received and receivable from disposal of intangible asset.

CAPITAL STRUCTURE

The equity attributable to owners of the Company amounted to approximately HK\$295.4 million as at 30 June 2009 (31 December 2008: HK\$305.0 million). The decrease was mainly due to loss for the six months ended 30 June 2009 attributable to owners of the Company of approximately HK\$9.6 million.

MATERIAL ACQUISITION, DISPOSALS AND SIGNIFICANT INVESTMENT

The Group had no material acquisitions, disposals and significant investment during the six months ended 30 June 2009.

CHARGE ON ASSETS

As at 30 June 2009, the Group pledged deposits amounted to approximately HK\$22.4 million (31 December 2008: HK\$3.5 million) to banks to secure a purchase of raw materials agreement and a construction agreement entered into with independent third parties. The pledged bank deposits will be released upon the settlement of the relevant agreements.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FOREIGN EXCHANGE EXPOSURE

Currently, the Group mainly earns revenue in United States dollars and Renminbi, and incurs costs in Hong Kong dollars, Renminbi and United States dollars. The Directors believe that the Group does not have significant foreign exchange exposure. However, if necessary, the Group will consider using forward exchange contracts to hedge against foreign currency exposures. As at 30 June 2009, the Group has no significant exposure under foreign exchange.

CONTINGENT LIABILITIES

On 14 May 2003, GDC Entertainment Limited ("GDC Entertainment"), a wholly-owned subsidiary of the Company, entered into a co-production agreement (the "Co-production Agreement") with Westwood Audiovisual and Multimedia Consultants, Inc. ("WAMC") and Production and Partners Multimedia, SAS ("P&PM") in relation to an animated television series.

In about November 2004, P&PM and WAMC commenced proceedings against GDC Entertainment in the Court of Commerce of Angouleme (France) alleging breaches on the part of GDC Entertainment of the Co-production Agreement.

In relation to the French proceedings, the Group's French legal advisers had advised that the enforcement of P&PM's and WAMC's claims should only be limited to the assets of GDC Entertainment.

Further, arbitration proceedings were commenced by GDC Entertainment against P&PM and WAMC in Hong Kong by way of a notice of arbitration dated 16 June 2005 issued pursuant to the Co-production Agreement. In the arbitration, issues had been raised by GDC Entertainment as to whether P&PM and/or WAMC were in repudiatory breach of the Co-production Agreement which entitled GDC Entertainment to terminate the same claim of damages from P&PM and WAMC. Pleadings have not yet been exchanged in the arbitration. P&PM and WAMC have applied to the arbitrator for the determination of a preliminary issue as to whether the arbitrator has jurisdiction to hear the dispute which GDC Entertainment will refer to the arbitrator in the arbitration. The hearing of the application was held on 20 January 2006. Award of the arbitrator was published on the Issue of Jurisdiction on 23 March 2006 dismissing the application, and made an order for costs in GDC Entertainment's favour in respect of the application. Since then, there has been no further step taken by the parties. GDC Entertainment has written to the arbitrator seeking directions for the further conduct of the arbitration, including the service of pleadings in the arbitration.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

CONTINGENT LIABILITIES *(Continued)*

Effective from 1 May 2008, GDC Entertainment had been struck off but can be restored at any time up to ten years after the strike off date.

Saved as disclosed above, the Group had no significant contingent liabilities as at 30 June 2009.

EMPLOYEES

As at 30 June 2009, the Group employed 659 (31 December 2008: 633) full time employees. The Group remunerated its employees mainly with reference to the prevailing market practice, individual performance and experience. Other benefits such as medical coverage, insurance plan, mandatory provident fund, discretionary bonus and employee share option scheme are also available to employee of the Group.

INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2009 (2008: 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 of the Company who held office at 30 June 2009 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 30 June 2009 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 30.06.2009
		Interests in shares	Interests under equity derivatives*	Total interests	
Cao Zhong	Beneficial owner	26,942,200	4,900,000	31,842,200	2.46%
Chen Zheng	Beneficial owner	8,718,200	4,900,000	13,618,200	1.05%
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	20,008,200	4,900,000	24,908,200	1.92%
Kwong Che Keung, Gordon	Beneficial owner	800,820	490,000	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 30.06.2009
		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 30.06.2009
		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%
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 30 June 2009, 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, 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 six months ended 30 June 2009.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2009, according to the register kept by the Company under Section 336 of the SFO (the "Register"), the following companies had long positions of 5% or more in the shares of the Company ("Notifiable Interest") 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 30.06.2009
Shougang Holding (Hong Kong) Limited ("Shougang Holding")	Interests of controlled corporations	680,904,023 <i>(Note)</i>	52.57%
Wheeling Holdings Limited ("Wheeling")	Interests of controlled corporations	680,904,023 <i>(Note)</i>	52.57%
Shougang Grand	Interests of controlled corporations	680,904,023 <i>(Note)</i>	52.57%
Upper Nice Assets Ltd. ("Upper Nice")	Beneficial owner	656,360,023 <i>(Note)</i>	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: Shougang Grand indicated in its disclosure form dated 3 April 2008 (being the latest disclosure form filed up to 30 June 2009) that as at 1 April 2008, its interests included 656,360,023 shares of the Company held by Upper Nice, an indirectly wholly-owned subsidiary of Shougang Grand. Upper Nice was recorded as having a Notifiable Interest in the Register and the records relating thereto was updated in accordance with the said disclosure form filed by Shougang Grand.

Shougang Holding indicated in its disclosure form dated 3 April 2008 (being the latest disclosure form filed up to 30 June 2009) that as at 1 April 2008, its interests included 680,904,023 shares of the Company held by Wheeling, a wholly-owned subsidiary of Shougang Holding. Wheeling was recorded as having a Notifiable Interest in the Register and the records relating thereto was updated in accordance with the said disclosure form filed by Shougang Holding. As indicated in the said disclosure form, Shougang Grand was held as to approximately 37.40% by Wheeling and its interest was included in the interests held by Wheeling.

Save as disclosed above, as at 30 June 2009, 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 and 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 six months ended 30 June 2009. Details of outstanding share options under the Scheme during the period are as follows:

Category or name of grantees	Options to subscribe for shares of the Company at the beginning and at the end of the period	Date of grant	Exercise period	Exercise price per share
Directors 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
Hui Hung, Stephen	490,000	30.10.2007	30.10.2007 – 29.10.2012	HK\$2.75
	<u>35,688,200</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>54,432,020</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 or cancelled in accordance with the terms of the GDC Tech Scheme during the six months ended 30 June 2009. Details of movements in the share options under the GDC Tech Scheme during the period are as follows:

Category or name of grantees	Options to subscribe for shares of GDC Tech			Date of grant	Exercise period	Exercise price per share
	At the beginning of the period	Lapsed during the period	At the end of the period			
Directors of the Company						
Cao Zhong	1,650,000	–	1,650,000	02.11.2007	02.11.2007 – 01.11.2012	HK\$2.000
Chen Zheng	1,650,000	–	1,650,000	02.11.2007	02.11.2007 – 01.11.2012	HK\$2.000
Lu Yi, Gloria	12,000,000 ¹	–	12,000,000	02.11.2007	02.11.2007 – 01.11.2012	HK\$0.145
Leung Shun Sang, Tony	3,333 ²	–	3,333	29.09.2006	29.09.2006 – 28.09.2009	HK\$0.145
	<u>1,650,000</u>	<u>–</u>	<u>1,650,000</u>	02.11.2007	02.11.2007 – 01.11.2012	HK\$2.000
	<u>1,653,333</u>	<u>–</u>	<u>1,653,333</u>			
Kwong Che Keung, Gordon	165,000	–	165,000	02.11.2007	02.11.2007 – 01.11.2012	HK\$2.000
Hui Hung, Stephen	165,000	–	165,000	02.11.2007	02.11.2007 – 01.11.2012	HK\$2.000
	<u>17,283,333</u>	<u>–</u>	<u>17,283,333</u>			
Employees of the Group						
	3,913,332	(360,000) ³	3,553,332	05.10.2006	05.10.2006 – 04.10.2009	HK\$0.145
	<u>1,650,000</u>	<u>–</u>	<u>1,650,000</u>	02.11.2007	02.11.2007 – 01.11.2012	HK\$2.000
	<u>5,563,332</u>	<u>(360,000)</u>	<u>5,203,332</u>			
Other participants						
	<u>853,333</u>	<u>–</u>	<u>853,333</u>	29.09.2006	29.09.2006 – 28.09.2009	HK\$0.145
	<u>23,699,998</u>	<u>(360,000)</u>	<u>23,339,998</u>			

Notes:

1. The number of share options granted to Ms. Lu Yi, Gloria on 2 November 2007 exceeded the individual limit of 1% of the shares of GDC Tech then in issue and was approved by the shareholders of the Company and Shougang Grand on 30 October 2007 respectively.
2. 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 was approved by the shareholders of the Company and Shougang Grand on 19 September 2006 respectively.
3. The share options were held by a grantee who ceased to be an employee of the Group during the period and such share options were lapsed on 8 March 2009.

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 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 is the holding company of the Company which indirectly held approximately 52.57% interests in the Company as at 30 June 2009.*
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 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.

AUDIT COMMITTEE

The Company has engaged the Auditor to assist the Audit Committee to review the 2009 interim results of the Group. A meeting of the Audit Committee was held with the Auditor and the management of the Company on 30 July 2009 for, amongst other things, reviewing the interim results of the Group for the six months ended 30 June 2009.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules during the six months ended 30 June 2009.

COMPLIANCE WITH CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as a code of conduct of the Company for Directors' securities transactions. Having made specific enquiry of all Directors, the Directors have complied with the required standard of dealings and the Company's code of conduct regarding Directors' securities transactions throughout the six months ended 30 June 2009.

DISCLOSURE OF DIRECTORS' INFORMATION UNDER RULE 17.50A(1) OF THE GEM LISTING RULES

The following is the change of director's information during the period under review, which is required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules:

Dr. Japhet Sebastian Law, an Independent Non-executive Director of the Company, was appointed as an independent non-executive director of Binhai Investment Company Limited, a company listed in Hong Kong, with effect from 23 March 2009.

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

10 August 2009