



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

Third Quarterly 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*)
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

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

THIRD QUARTERLY RESULTS

The board of Directors of the Company (the "Board") is pleased to report the unaudited condensed consolidated financial results of the Company and its subsidiaries (the "Group") for the three months and the nine months ended 30 September 2009 with comparative figures for the corresponding periods in 2008.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the periods ended 30 September 2009

	NOTES	Three months ended 30 September		Nine months ended 30 September	
		2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Revenue	3	102,576	42,837	263,632	74,079
Cost of sales	4	(76,685)	(30,669)	(204,390)	(65,922)
Gross profit		25,891	12,168	59,242	8,157
Other income	5	2,594	373	10,875	2,549
Distribution costs and selling expenses		(1,827)	(1,273)	(5,346)	(5,752)
Administrative expenses		(10,571)	(13,495)	(49,169)	(41,298)
Changes in fair value of held-for-trading investments		(225)	–	631	–
Finance costs	6	(138)	(491)	(806)	(2,024)
Share of results of an associate		71	(8)	(218)	(670)
Loss on dilution of interest in a subsidiary	7	(165)	–	(165)	–
Other expense		–	–	–	(22,202)
Profit (loss) before tax		15,630	(2,726)	15,044	(61,240)
Income tax (expense) credit	8	(2,000)	2,246	(4,573)	2,246
Profit (loss) for the period		13,630	(480)	10,471	(58,994)
Other comprehensive income:					
Exchange differences on translation of foreign operations		–	203	(54)	19,294
Total comprehensive income for the period		13,630	(277)	10,417	(39,700)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

For the periods ended 30 September 2009

	NOTE	Three months ended		Nine months ended	
		30 September		30 September	
		2009	2008	2009	2008
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit (loss) for the period attributable to:					
Owners of the Company		9,875	(2,488)	261	(57,068)
Minority interests		3,755	2,008	10,210	(1,926)
		13,630	(480)	10,471	(58,994)
Total comprehensive income for the period attributable to:					
Owners of the Company		9,875	(2,326)	227	(38,243)
Minority interests		3,755	2,049	10,190	(1,457)
		13,630	(277)	10,417	(39,700)
		HK cents	HK cents	HK cents	HK cents
Earnings (loss) per share:	10				
Basic		0.76	(0.19)	0.02	(4.41)
Diluted		N/A	N/A	N/A	N/A

NOTES:**1. BASIS OF PREPARATION**

The unaudited condensed consolidated statement of comprehensive income has been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities of the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

2. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated statement of comprehensive income has been prepared 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 the unaudited condensed consolidated statement of comprehensive income as were applied in the preparation of the Group's financial statements for the year ended 31 December 2008.

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

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

HKAS 1 (revised in 2007) has introduced a number of terminology changes (including revised titles for the 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 (the "Directors") 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.

3. REVENUE

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

	Three months ended 30 September		Nine months ended 30 September	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Sales of goods	71,543	21,861	197,965	30,988
Revenue from contracts for computer graphic ("CG") creation and production	19,951	13,383	40,953	24,681
Training fee	4,926	3,768	14,271	9,792
Technical service income	4,477	678	7,198	1,826
Receipts from exhibition of digital motion pictures	1,213	1,775	1,213	2,996
Rental income from equipment leasing	466	–	1,462	–
Royalty income from share of box office receipts	–	1,372	570	3,796
	102,576	42,837	263,632	74,079

4. COST OF SALES

Cost of sales for the nine months ended 30 September 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 (Nine months ended 30 September 2008: approximately HK\$21,354,000).

5. OTHER INCOME

Other income for the nine months ended 30 September 2009 primarily comprised:

- Interest income of approximately HK\$4,345,000 (Nine months ended 30 September 2008: approximately HK\$1,983,000);
- Gain of approximately HK\$2,543,000 (Nine months ended 30 September 2008: Nil) on disposal of intangible asset to China Film Group Corporation ("CFG"), the majority shareholder of an associate of the Group. 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\$2,888,000 (Nine months ended 30 September 2008: Nil).

6. FINANCE COSTS

	Three months ended		Nine months ended	
	30 September		30 September	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on:				
Bank borrowing wholly repayable				
within five years	138	310	527	752
Loan from a fellow subsidiary	-	178	279	1,225
Loan from other related party	-	3	-	31
Finance leases	-	-	-	16
	<u>138</u>	<u>491</u>	<u>806</u>	<u>2,024</u>

7. LOSS ON DILUTION OF INTEREST IN A SUBSIDIARY

The amount for the nine months ended 30 September 2009 represented approximately HK\$165,000 from the loss on dilution of the Group's interest in GDC Technology Limited, a subsidiary of the Company, upon exercise of share options of GDC Technology Limited during the period.

8. INCOME TAX (EXPENSE) CREDIT

	Three months ended		Nine months ended	
	30 September		30 September	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax:				
PRC Enterprise Income Tax ("EIT")	<u>(2,000)</u>	<u>2,246</u>	<u>(4,573)</u>	<u>2,246</u>

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

For the nine months ended 30 September 2009, the relevant tax rates for the Group's subsidiaries in the PRC ranged from 20% to 25% (Nine months ended 30 September 2008: 18% to 25%).

For the nine months ended 30 September 2008, no provision for PRC EIT had been made in the unaudited 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. During that period, a PRC subsidiary was granted two years tax exemption for the financial years ended 2007 and 2008, a provision for PRC EIT of approximately HK\$2,246,000 made in 2007 was therefore reversed in the unaudited condensed consolidated statement of comprehensive income.

9. DIVIDEND

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

10. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share attributable to owners of the Company is based on the following data:

	Three months ended		Nine months ended	
	30 September		30 September	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Earnings (loss)				
Earnings (loss) for the purposes of basic earnings (loss) per share (profit (loss) for the period attributable to owners of the Company)	9,875	(2,488)	261	(57,068)
	'000	'000	'000	'000

Number of shares

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

1,295,246	1,295,246	1,295,246	1,295,246
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No diluted earnings per share has been calculated for the three months and nine months ended 30 September 2009 as the exercise prices of the share options were higher than the average market price for shares for the period.

No diluted loss per share had been calculated for the three months and nine months ended 30 September 2008 as the exercise of the share options would result in a decrease in the loss per share.

11. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	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	Attributable to owners		Share of the reserve of a subsidiary HK\$'000	Minority interests HK\$'000	Total HK\$'000
									Retained earnings (deficit) HK\$'000	of the reserve of a subsidiary HK\$'000			
At 1 January 2009	12,952	-	445	245,881	680	38,765	21,599	(46,366)	31,075	305,031	15,838	57,083	377,952
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(34)	-	-	(34)	-	(20)	(54)
Profit for the period	-	-	-	-	-	-	-	-	261	261	-	10,210	10,471
Total comprehensive income for the period	-	-	-	-	-	-	(34)	-	261	227	-	10,190	10,417
Sub-total	12,952	-	445	245,881	680	38,765	21,565	(46,366)	31,336	305,258	15,838	67,273	388,369
Exercise of share options of a subsidiary	-	-	-	-	-	-	-	-	-	-	(6)	236	230
Cancellation of share options granted by a subsidiary	-	-	-	-	-	-	-	-	10,026	10,026	(10,026)	-	-
At 30 September 2009	12,952	-	445	245,881	680	38,765	21,565	(46,366)	41,362	315,284	5,806	67,509	388,599
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	-	-	-	-	-	-	18,825	-	-	18,825	-	469	19,294
Loss for the period	-	-	-	-	-	-	-	-	(57,068)	(57,068)	-	(1,926)	(58,994)
Total comprehensive income for the period	-	-	-	-	-	-	18,825	-	(57,068)	(38,243)	-	(1,457)	(39,700)
Sub-total	12,952	589,670	445	40,271	680	39,261	21,891	(46,366)	(339,011)	319,793	15,988	59,710	395,491
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	-	-	-	-	-	-	-	-	145	145	(145)	-	-
At 30 September 2008	12,952	-	445	245,881	680	39,261	21,891	(46,366)	45,194	319,938	15,843	59,710	395,491

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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

Revenue for the nine months ended 30 September 2009 was approximately HK\$263,632,000, when compared with that of approximately HK\$74,079,000 for the corresponding period in the year 2008, represented an increase of approximately 256%. 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\$166,977,000 and HK\$16,272,000, respectively.

Cost of sales for the nine months ended 30 September 2009 amounted to approximately HK\$204,390,000, when compared with that of approximately HK\$65,922,000 for the corresponding period in the year 2008, represented an increase of approximately 210%.

The Group made a gross profit of approximately HK\$59,242,000 for the nine months ended 30 September 2009, representing a gross profit margin of approximately 22%. Comparing with the gross profit margin of approximately 11% for the corresponding period in the year 2008, the improvement was mainly due to decrease in amortisation of intangible asset in the amount of cost of sales by approximately HK\$20,721,000.

Other income for the nine months ended 30 September 2009 amounted to approximately HK\$10,875,000 (Nine months ended 30 September 2008: HK\$2,549,000), representing an increase of approximately 327%. The increase was mainly due to increase in interest income by approximately HK\$2,362,000, and 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\$2,888,000.

Administrative expenses for the nine months ended 30 September 2009 amounted to approximately HK\$49,169,000 (Nine months ended 30 September 2008: HK\$41,298,000), representing an increase of approximately 19%. The increase was as a result of growth in the operations of the Group for this period.

Other expense of approximately HK\$22,202,000 for the nine months ended 30 September 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 profit of approximately HK\$261,000 for the nine months ended 30 September 2009 attributable to owners of the Company, when compared with that loss of approximately HK\$57,068,000 for the corresponding period in the year 2008.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW AND OUTLOOK

Digital content distribution and exhibitions

During the nine months ended 30 September 2009, revenue from digital content distribution and exhibitions division reported an approximate five-fold increment to approximately HK\$207,195,000, when compared with that for the corresponding period in the year 2008. This improvement was attributed to more digital cinema equipment sold to customers in the United States, the PRC and other Asia territories, such as South Korea. The Group also explored new markets, including Australia, Japan, Russia and United Kingdom, and received orders from several customers in these jurisdictions during this period.

At present, the cinema industry is in the tipping point of overwhelmingly adopting digital cinema, a completely digital medium for the distribution and exhibition of feature films. In late September 2009, the major exhibitors in the United States announced that they have secured funding to finance the digitalisation of 14,000 cinema screens. Together with more 3D titles coming, the digital cinema conversion in the United States and worldwide has yet to begin.

The Group continues to offer exhibitors an all-round digital cinema solution and developing products that aim at meeting more than the standard Digital Cinema Initiative (“DCI”) specifications, and can differentiate its technology from its competitors. The ultimate goal of the Group is to develop the best multimedia solutions and sell its digital cinema equipment for large scale public playback in cinema multiplexes and museums.

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 has signed up with two major exhibitors in Hong Kong to participate in the VPF program and endeavors to sign up with more in the coming future.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW AND OUTLOOK *(Continued)*

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 52% to approximately HK\$42,166,000 for the nine months ended 30 September 2009 as compared with that of the corresponding period in the year 2008. During this period, there were seven CG production projects in progress, including films, DVD and television series, two of which has been completed and the other three were expected to be completed by end of this year. 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.

In addition, providing technical support and joint distribution with CFGC, the Group released a Belgium 3D animation film "Fly Me to the Moon" in over 300 digital cinema multiplexes across the PRC during this period. The success of distribution of this film in the PRC made the Group won recognition in the industry, several international companies approach the Group for production of 3D films, co-production, distribution and other business. Besides, another DVD produced by the Group was released in the United States during this period and its CG production level was highly appreciated by the market.

The Group is also actively developing new clients, two DVDs and one television series are nearly secured and several projects with world leading entertainment brands for animated television series and films are under negotiation. Many clients express 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW AND OUTLOOK *(Continued)*

CG training

CG training division continued to serve as a core component of its strategy towards professionalism and strengthening of 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 46% for the nine months ended 30 September 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 several famous high schools 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 graduated.

In addition to the Group’s training centres in Shanghai and Shenzhen and direct operation training sites in Chongqing, Guangzhou and Wuxi, the Group plans to set up one more site in the North to cover all the 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.

INTERIM DIVIDEND

The Board did not declare an interim dividend for the nine months ended 30 September 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 September 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 September 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 30.09.2009
		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%
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 30.09.2009
		Interests			
		Interests in shares	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.

- (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 30.09.2009
		Interests			
		Interests in shares	under equity derivatives*	Total interests	
Cao Zhong	Beneficial owner	8,533,334	1,650,000	10,183,334	4.36%
Chen Zheng	Beneficial owner	8,533,334	1,650,000	10,183,334	4.36%
Leung Shun Sang, Tony	Beneficial owner	2,130,000	1,650,000	3,780,000	1.62%
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.

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

(Continued)

Save as disclosed above, as at 30 September 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 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 nine months ended 30 September 2009.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 September 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:

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

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 issued share capital of the Company as at 30.09.2009
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%

Note: Shougang Grand indicated in its disclosure form dated 3 April 2008 (being the latest disclosure form filed up to 30 September 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 September 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 September 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 nine months ended 30 September 2009. Details of movements in the share options under the Scheme during the period are as follows:

Category or name of grantees	Options to subscribe for shares of the Company				Date of grant	Exercise period	Exercise price per share
	At the beginning of the period	Transferred to other category during the period	Transferred from other category during the period	At the end of the period			
Directors of the Company							
Cao Zhong	4,900,000	-	-	4,900,000	30.10.2007	30.10.2007 – 29.10.2012	HK\$2.75
Chen Zheng	4,900,000	-	-	4,900,000	30.10.2007	30.10.2007 – 29.10.2012	HK\$2.75
Jin Guo Ping	8,008,200	-	-	8,008,200 ¹	06.10.2006	06.10.2006 – 05.10.2009	HK\$0.30
Lu Yi, Gloria	12,000,000	(12,000,000) ²	-	-	30.10.2007	30.10.2007 – 29.10.2012	HK\$2.75
Leung Shun Sang, Tony	4,900,000	-	-	4,900,000	30.10.2007	30.10.2007 – 29.10.2012	HK\$2.75
Kwong Che Keung, Gordon	490,000	-	-	490,000	30.10.2007	30.10.2007 – 29.10.2012	HK\$2.75
Hui Hung, Stephen	490,000	-	-	490,000	30.10.2007	30.10.2007 – 29.10.2012	HK\$2.75
	<u>35,688,200</u>	<u>(12,000,000)</u>	<u>-</u>	<u>23,688,200</u>			
Employees of the Group							
	2,300,000	-	-	2,300,000	22.03.2007	22.03.2007 – 21.03.2010	HK\$1.07
	2,262,000	-	-	2,262,000	04.04.2007	04.04.2007 – 03.04.2010	HK\$1.52
	9,900,000	-	-	9,900,000	30.10.2007	30.10.2007 – 29.10.2012	HK\$2.75
	<u>14,462,000</u>	<u>-</u>	<u>-</u>	<u>14,462,000</u>			
Other participants							
	2,500,820	-	-	2,500,820 ¹	06.10.2006	06.10.2006 – 05.10.2009	HK\$0.30
	1,781,000	-	-	1,781,000	04.04.2007	04.04.2007 – 03.04.2010	HK\$1.52
	-	-	12,000,000 ²	12,000,000	30.10.2007	30.10.2007 – 29.10.2012	HK\$2.75
	<u>4,281,820</u>	<u>-</u>	<u>12,000,000</u>	<u>16,281,820</u>			
	<u>54,432,020</u>	<u>(12,000,000)</u>	<u>12,000,000</u>	<u>54,432,020</u>			

Notes:

- Subsequent to the period end date, such share options were lapsed on 6 October 2009 according to the Scheme.
- The share options were held by Ms. Lu Yi, Gloria who resigned as a Director of the Company during the period and such share options were re-classified from the category of "Directors of the Company" to "Other participants" during the period. According to the Scheme, such share options shall lapse on the expiry of the three months period following the date of cessation as a Director of the Company. Accordingly, such share options shall lapse on 5 December 2009.

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 or cancelled in accordance with the terms of the GDC Tech Scheme during the nine months ended 30 September 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	Exercised during 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) ²	-	02.11.2007	02.11.2007 – 01.11.2012	HK\$2.000
Leung Shun Sang, Tony	3,333 ³	-	(3,333) ⁴	-	29.09.2006	29.09.2006 – 28.09.2009	HK\$0.145
	<u>1,650,000</u>	<u>-</u>	<u>-</u>	<u>1,650,000</u>	02.11.2007	02.11.2007 – 01.11.2012	HK\$2.000
	1,653,333	-	(3,333)	1,650,000			
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>(12,003,333)</u>	<u>5,280,000</u>			
Employees of the Group							
	3,913,332	(130,000)	(1,361,666) ⁵	2,421,666 ⁶	05.10.2006	05.10.2006 – 04.10.2009	HK\$0.145
	<u>1,650,000</u>	<u>-</u>	<u>-</u>	<u>1,650,000</u>	02.11.2007	02.11.2007 – 01.11.2012	HK\$2.000
	5,563,332	(130,000)	(1,361,666)	4,071,666			
Other participants							
	853,333	(320,000)	(533,333) ⁴	-	29.09.2006	29.09.2006 – 28.09.2009	HK\$0.145
	<u>23,699,998</u>	<u>(450,000)</u>	<u>(13,898,332)</u>	<u>9,351,666</u>			

SHARE OPTIONS *(Continued)*

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

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 share options were held by Ms. Lu Yi, Gloria who resigned as a Director of the Company during the period and such share options were lapsed on 5 September 2009.*
3. *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.*
4. *Such share options were lapsed on 29 September 2009 according to the GDC Tech Scheme.*
5. *The share options were held by two grantees who ceased to be employees of the Group during the period and such share options were lapsed on 8 March 2009 and 1 September 2009 respectively.*
6. *Subsequent to the period end date, such share options were lapsed on 5 October 2009 according to the GDC Tech Scheme.*

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 September 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's Audit Committee has reviewed the 2009 third quarterly results of the Group. A meeting of the Audit Committee was held with the management of the Company on 2 November 2009 for, amongst other things, reviewing the third quarterly results of the Group for the period ended 30 September 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

9 November 2009