Global Digital Creations Holdings Limited

環球數碼創意控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8271)

INTERIM REPORT 2010

** 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 the 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 the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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CORPORATE INFORMATION

Board of Directors	**Executive Directors** Mr. Li Shaofeng *(Chairman)* Mr. Chen Zheng *(Managing Director)* Mr. Jin Guo Ping *(Deputy Managing Director)* **Non-executive Director** Mr. Leung Shun Sang, Tony **Independent non-executive Directors** Mr. Kwong Che Keung, Gordon Mr. Hui Hung, Stephen Prof. Japhet Sebastian Law
Executive Committee	Mr. Li Shaofeng *(Chairman)* Mr. Chen Zheng Mr. Jin Guo Ping
Audit Committee	Mr. Kwong Che Keung, Gordon *(Chairman)* Mr. Hui Hung, Stephen Prof. Japhet Sebastian Law
Nomination Committee	Mr. Li Shaofeng *(Chairman)* Mr. Leung Shun Sang, Tony *(Vice Chairman)* Mr. Kwong Che Keung, Gordon Mr. Hui Hung, Stephen Prof. Japhet Sebastian Law
Remuneration Committee	Mr. Leung Shun Sang, Tony *(Chairman)* Mr. Li Shaofeng *(Vice Chairman)* Mr. Kwong Che Keung, Gordon Mr. Hui Hung, Stephen Prof. Japhet Sebastian Law
Compliance Officer	Mr. Chen Zheng
Company Secretary	Mr. Chiu Ming Kin

CORPORATE INFORMATION *(Continued)*

Authorised Representatives	Mr. Chen Zheng Mr. Chiu Ming Kin
Auditor	Deloitte Touche Tohmatsu
Bermuda Principal Registrar	The Bank of Bermuda Limited Bank of Bermuda Building 6 Front Street Hamilton HM 11 Bermuda
Hong Kong Branch Share Registrar and Transfer Office	Tricor Standard Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Registered Office	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Head Office and Principal Place of Business in Hong Kong	Unit 1-7, 20/F., Kodak House II 39 Healthy Street East, North Point Hong Kong
Stock Code	8271
Website	www.gdc-world.com

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 2010 with comparative figures for the corresponding periods in 2009.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the periods ended 30 June 2010

	NOTES	Three months ended 30 June 2010 HK$'000 (unaudited)	Three months ended 30 June 2009 HK$'000 (unaudited)	Six months ended 30 June 2010 HK$'000 (unaudited)	Six months ended 30 June 2009 HK$'000 (unaudited)
Revenue	3	**131,113**	89,936	**254,282**	161,056
Cost of sales		**(76,189)**	(75,117)	**(143,744)**	(127,705)
Gross profit		**54,924**	14,819	**110,538**	33,351
Other income	5	**2,782**	1,676	**6,190**	8,281
Distribution costs and selling expenses		**(3,162)**	(1,592)	**(5,305)**	(3,519)
Administrative expenses		**(24,186)**	(23,522)	**(40,241)**	(38,598)
Changes in fair value of held-for-trading investments		**(455)**	1,183	**270**	856
Finance costs	6	**(370)**	(193)	**(370)**	(668)
Share of loss of an associate		**(20)**	(124)	**(19)**	(289)
Profit (loss) before tax		**29,513**	(7,753)	**71,063**	(586)
Income tax expense	7	**(3,786)**	(1,539)	**(7,304)**	(2,573)
Profit (loss) for the period	8	**25,727**	(9,292)	**63,759**	(3,159)
Other comprehensive income (expense): Exchange differences on translation of foreign operations		**2,709**	–	**2,709**	(54)
Total comprehensive income (expense) for the period		**28,436**	(9,292)	**66,468**	(3,213)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

For the periods ended 30 June 2010

	NOTE	Three months ended 30 June 2010 HK$'000 (unaudited)	Three months ended 30 June 2009 HK$'000 (unaudited)	Six months ended 30 June 2010 HK$'000 (unaudited)	Six months ended 30 June 2009 HK$'000 (unaudited)
Profit (loss) for the period attributable to:					
Owners of the Company		**12,753**	(13,979)	**37,294**	(9,614)
Non-controlling interests		**12,974**	4,687	**26,465**	6,455
		25,727	(9,292)	**63,759**	(3,159)
Total comprehensive income (expense) for the period attributable to:					
Owners of the Company		**15,292**	(13,979)	**39,833**	(9,648)
Non-controlling interests		**13,144**	4,687	**26,635**	6,435
		28,436	(9,292)	**66,468**	(3,213)
		HK cents	*HK cents*	*HK cents*	*HK cents*
Earnings (loss) per share:	10				
Basic and diluted		**0.98**	(1.08)	**2.88**	(0.74)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2010

	NOTES	30 June 2010 HK$'000 (unaudited)	31 December 2009 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	11	**198,096**	115,389
Investment properties	12	**84,473**	–
Available-for-sale investment		**575**	568
Prepaid lease payments		**5,803**	5,799
Interest in an associate		**21,790**	21,569
Other receivables	13	**26,181**	20,657
Pledged bank deposit	14	**1,978**	1,956
		338,896	165,938
Current assets			
Inventories		**43,363**	34,947
Productions work in progress	15	**2,505**	–
Amounts due from customers for contract work	16	**7,807**	5,795
Trade receivables	17	**78,332**	41,338
Prepayments, deposits and other receivables	13	**56,466**	27,070
Prepaid lease payments		**126**	125
Held-for-trading investments		**2,668**	2,398
Convertible loan receivable	18	**10,582**	119,255
Pledged bank deposits	14	**42,052**	–
Bank balances and cash		**271,246**	166,604
		515,147	397,532

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

At 30 June 2010

	NOTES	30 June 2010 HK$'000 (unaudited)	31 December 2009 HK$'000 (audited)
Current liabilities			
Advances from customers		**53,690**	35,748
Amounts due to customers for contract work	16	**–**	366
Trade payables	19	**47,638**	31,781
Other payables and accruals		**58,820**	47,160
Amounts due to fellow subsidiaries		**6**	1,194
Amount due to an associate	20	**21,114**	20,874
Tax liabilities		**10,530**	6,215
Secured bank borrowings – due within one year	21	**42,001**	–
		233,799	143,338
Net current assets		**281,348**	254,194
Total assets less current liabilities		**620,244**	420,132
Capital and reserves			
Issued capital	22	**12,952**	12,952
Retained earnings		**103,375**	61,289
Other reserves		**255,240**	255,232
Equity attributable to owners of the Company		**371,567**	329,473
Share options reserve of a subsidiary		**4,400**	5,775
Non-controlling interests		**131,633**	74,657
Total equity		**507,600**	409,905
Non-current liability			
Secured bank borrowing – due after one year	21	**112,644**	10,227
		620,244	420,132

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2010

	Issued capital HK$'000	Capital contribution reserve HK$'000	Contributed surplus reserve HK$'000	Statutory reserve HK$'000	Share options reserve HK$'000	Exchange reserve HK$'000	Special reserve HK$'000	Retained earnings HK$'000	Attributable to owners of the Company HK$'000	Share options reserve of a subsidiary HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2010 (audited)	**12,952**	**445**	**245,881**	**6,362**	**27,345**	**21,565**	**(46,366)**	**61,289**	**329,473**	**5,775**	**74,657**	**409,905**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**2,539**	**–**	**–**	**2,539**	**–**	**170**	**2,709**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**37,294**	**37,294**	**–**	**26,465**	**63,759**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**2,539**	**–**	**37,294**	**39,833**	**–**	**26,635**	**66,468**
Sub-total	**12,952**	**445**	**245,881**	**6,362**	**27,345**	**24,104**	**(46,366)**	**98,583**	**369,306**	**5,775**	**101,292**	**476,373**
Cancellation of share options granted *(Note)*	**–**	**–**	**–**	**–**	**(4,792)**	**–**	**–**	**4,792**	**–**	**–**	**–**	**–**
Non-controlling interests arising on acquisition of a subsidiary *(Note 24)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**27,927**	**27,927**
Difference arising on dilution of interest in a subsidiary *(Note 25)*	**–**	**–**	**–**	**–**	**–**	**–**	**2,261**	**–**	**2,261**	**(1,375)**	**2,414**	**3,300**
At 30 June 2010 (unaudited)	**12,952**	**445**	**245,881**	**6,362**	**22,553**	**24,104**	**(44,105)**	**103,375**	**371,567**	**4,400**	**131,633**	**507,600**
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 (expense) 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: During the six months ended 30 June 2010, 920,000 share options were lapsed on the expiry of the three-month period following the date of cessation as employee of the Group and 5,423,000 share options were lapsed on the expiry of the exercise period of the options.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 June 2010

	NOTE	Six months ended 30 June 2010 HK$'000 (unaudited)	Six months ended 30 June 2009 HK$'000 (unaudited)
Operating activities			
Profit (loss) before tax		**71,063**	(586)
Adjustments for:			
Depreciation		**4,800**	3,606
Loss (gain) on disposal of property, plant and equipment		**1,353**	(165)
Finance costs		**370**	668
Allowance for doubtful debts		**–**	4,201
Allowance for inventories		**–**	3,324
Amortisation of intangible asset		**–**	633
Interest income		**(2,505)**	(4,514)
Changes in fair value of held-for-trading investments		**(270)**	(856)
Gain on disposal of intangible asset		**–**	(2,543)
Other non-cash items		**82**	351
Operating cashflow before movements in working capital		**74,893**	4,119
Movements in working capital		**(32,820)**	(33,594)
Cash from (used in) operations		**42,073**	(29,475)
Income tax paid		**(3,050)**	(540)
Net cash from (used in) operating activities		**39,023**	(30,015)
Investing activities			
Purchase of property, plant and equipment		**(87,597)**	(34,970)
Acquisition of a subsidiary	24	**(63,149)**	–
Increase in pledged bank deposits		**(42,052)**	(18,920)
Repayment from (investment in) a convertible loan receivable		**110,107**	(45,454)
Proceeds from disposal of intangible asset, net of transaction costs		**–**	168,703
Other investing cash flows		**1,071**	588
Net cash (used in) from investing activities		**(81,620)**	69,947

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Continued)

For the period ended 30 June 2010

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Financing activities		
New bank loans raised	**144,300**	14,773
Proceeds on dilution of interest in a subsidiary upon exercise of share options of the subsidiary	**3,300**	–
Repayment of loan from a fellow subsidiary	**–**	(30,000)
Repayment of bank loan	**–**	(14,773)
Advance from an associate	**–**	20,874
Other financing cash flows	**(1,978)**	(668)
Net cash from (used in) financing activities	**145,622**	(9,794)
Net increase in cash and cash equivalents	**103,025**	30,138
Cash and cash equivalents at beginning of the period	**166,604**	72,155
Effect of foreign exchange rate changes	**1,617**	(45)
Cash and cash equivalents at end of the period	**271,246**	102,248

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended 30 June 2010

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 (the "HKICPA").

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies used in these condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009, except as described below.

Investment properties
On initial recognition, investment properties are measured at cost, including directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction. Investment properties under construction are measured at fair value at the end of the reporting period, provided that the fair value of the properties under construction can be estimated reliably. Any difference between the fair value of the investment properties under construction and their carrying amounts is recognised in profit or loss in the period in which it arise.

When the fair value of an investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or the construction is completed, whichever is earlier.

Productions work in progress
Productions work in progress are stated at the lower of cast and net realisable value. Costs include all direct costs associated with the productions of films or television series. Production costs are transferred to inventories (films or television series costs) upon completion.

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

For the periods ended 30 June 2010

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Besides, in the current interim period, the Group has applied, for the first time, a number of revised Standard, Amendments to Standards and Interpretation ("revised HKFRSs") issued by the HKICPA, which are effective for the financial year beginning on 1 January 2010.

The Group applies HKFRS 3 (Revised) "*Business Combinations*" prospectively to business combinations for which the acquisition date is on or after 1 January 2010. In the current interim period, the Group acquires 68% of the issued capital of 廣東時尚置業有限公司 Guangdong Shishang Zhiye Investment Co., Ltd.* ("Guangdong Shishang"), a limited liability company established in the People's Republic of China (the "PRC", for the purpose of this report, does not include Hong Kong, Macau and Taiwan), which has been accounted for as acquisition of assets and assumption of liabilities as it does not constitute a business under HKFRS 3 (Revised). As there was no transaction during the current interim period in which HKFRS 3 (Revised) is applicable, the application of HKFRS 3 (Revised) and the consequential amendments to other HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised) and the consequential amendments to the other HKFRSs are applicable.

Except as described below, the application of these revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 27 (Revised) "Consolidated and Separate Financial Statements"

The application of HKAS 27 (Revised) has resulted in changes in the Group's accounting policies regarding increases or decreases in ownership interests in subsidiaries of the Group. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. The impact of decreases in interests in subsidiaries that did not involve loss of control (being the difference between the consideration received and the carrying amount of the share of net assets disposed of) was recognised in profit or loss. Under HKAS 27 (Revised), all increases or decreases in such interests are dealt with in equity, with no impact on goodwill or profit or loss. As a result, difference arising on dilution of interest in a subsidiary upon exercise of the subsidiary's share options of approximately HK$2,261,000 has been directly credited in equity in the current period. In addition, proceeds upon exercise of these share options of HK$3,300,000 are presented as cash inflow from financing activities.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires that the Group derecognises all assets, liabilities and non-controlling interests at their carrying amount. Any retained interest in the former subsidiary is recognised at its fair value at the date the control is lost. A gain or loss on loss of control is recognised in profit or loss as the difference between the proceeds, if any, and these adjustments.

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

For the periods ended 30 June 2010

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

In the current period, these changes in policies have affected the accounting for dilution of interest in a subsidiary as follows:

Condensed consolidated statement of comprehensive income
For the six months ended 30 June 2010

	HK$'000 (unaudited)
Decrease in profit for the period arising on non-recognition of difference arising on dilution of interest in a subsidiary	**2,261**

The effect of changes in accounting policies described above on the Group's basic and diluted earnings per share for the current period is as follows:

Impact on basic and diluted earnings per share

	Three months ended 30 June 2010 *HK cents* (unaudited)	Six months ended 30 June 2010 *HK cents* (unaudited)
Basic and diluted earnings per share before adjustment	**1.15**	**3.05**
Adjustment arising from changes in accounting policies in relation to non-recognition of difference arising on dilution of interest in a subsidiary	**(0.17)**	**(0.17)**
Reported basic and diluted earnings per share	**0.98**	**2.88**

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

For the periods ended 30 June 2010

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The Group has not early applied the following new and revised Standards, Amendments to Standards or Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2010[3]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendment)	Classification of Right Issues[1]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[2]
HKFRS 9	Financial Instruments[5]
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1 February 2010.
2 Effective for annual periods beginning on or after 1 July 2010.
3 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
4 Effective for annual periods beginning on or after 1 January 2011.
5 Effective for annual periods beginning on or after 1 January 2013.

HKFRS 9 "*Financial Instruments*" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 "*Financial Instruments: Recognition and Measurement*" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company (the "Directors") anticipate that the application of other new and revised Standards, Amendments to Standards 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 2010

3. REVENUE

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

	Three months ended 30 June		Six months ended 30 June	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Sales of goods	**118,038**	75,811	**218,850**	126,422
Training fee	**5,441**	4,837	**10,486**	9,345
Technical service income	**3,702**	2,327	**11,553**	2,721
Revenue from contracts for computer graphic ("CG") creation and production	**2,752**	6,447	**9,798**	21,002
Revenue from provision of assembly and integration services	**800**	–	**3,032**	–
Rental income	**380**	514	**563**	996
Royalty income from share of box office receipts	**–**	–	**–**	570
	131,113	89,936	**254,282**	161,056

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

For the periods ended 30 June 2010

4. SEGMENT INFORMATION

For management purposes, the Group is currently organised into five operating divisions - CG creation and production, digital content distribution and exhibitions, deployment of digital cinema network in Asia, CG training courses and cultural park (a new division for the six months ended 30 June 2010 upon the acquisition of 68% of the issued capital of Guangdong Shishang as disclosed in note 24). These divisions are the basis that is regularly reviewed by the chief operating decision maker ("CODM") in order to allocate resources to the segment and to assess its performance.

The following is an analysis of the Group's revenues and results by reportable segment:

Six months ended 30 June 2010

	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)	Cultural park HK$'000 (unaudited)	Consolidated HK$'000 (unaudited)
Segment revenue	9,798	230,733	3,032	10,486	233	254,282
Segment result	(2,660)	76,428	505	2,360	(997)	75,636
Investment revenue						1,437
Central administration costs						(5,891)
Changes in fair value of held-for-trading investments						270
Finance costs						(370)
Share of loss of an associate						(19)
Profit before tax						71,063

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

For the periods ended 30 June 2010

4. SEGMENT INFORMATION *(Continued)*

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)
Segment 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)
Loss before tax					(586)

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 CODM, being the Chief Executive Officer of the Company, for the purposes of resources allocation and assessment of segment performance.

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

5. OTHER INCOME

Other income for the six months ended 30 June 2010 primarily comprises government grants of approximately HK$3,574,000 (Six months ended 30 June 2009: HK$885,000) and interest income of approximately HK$2,505,000 (Six months ended 30 June 2009: HK$2,452,000).

Other income for the six months ended 30 June 2009 also included an one-off gain of approximately HK$2,543,000 (Six months ended 30 June 2010: Nil) on disposal of an intangible asset to China Film Group Corporation, the majority shareholder of an associate of the Group, and the relevant imputed interest income of approximately HK$2,062,000 (Six months ended 30 June 2010: Nil) derived from the deferred consideration. The disposal was approved by shareholders of the Company at the Special General Meeting on 17 February 2009. Details of the disposal were set out in the circular of the Company dated 23 January 2009.

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

For the periods ended 30 June 2010

6. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Interest on:				
Bank borrowings wholly repayable within five years	**1,450**	193	**1,978**	389
Loan from a fellow subsidiary	**–**	–	**–**	279
Total borrowing costs	**1,450**	193	**1,978**	668
Less: amount capitalised in the cost of qualifying assets	**(1,080)**	–	**(1,608)**	–
	370	193	**370**	668

7. INCOME TAX EXPENSE

	Three months ended 30 June		Six months ended 30 June	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Current tax:				
PRC Enterprise Income Tax ("EIT")	**3,786**	1,539	**7,304**	2,573

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the EIT rate of PRC subsidiaries is 25% from 1 January 2008 onwards, except for those subsidiaries described below.

According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax (Guofa [2007] No. 39), those entities that previously enjoyed tax incentive rate of 15% would have their applicable tax rate progressively increased to 25% over a five-year transitional period. The tax concession for the foreign investment enterprises is still applicable until the end of the five-year transitional period under the EIT Law based on the revised income tax rate. For the six months ended 30 June 2010, the relevant tax rates for the Group's subsidiaries in the PRC ranged from 22% to 25% (Six months ended 30 June 2009: 20% to 25%).

Pursuant to the relevant laws and regulations in the PRC, a PRC subsidiary is exempted from PRC EIT for two years starting from their first profit making year which was in 2007, followed by a 50% reduction for the next three years.

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 has no assessable profit arising in these jurisdictions.

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

For the periods ended 30 June 2010

8. PROFIT (LOSS) FOR THE PERIOD

	Three months ended 30 June		Six months ended 30 June	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Profit (loss) for the period has been arrived at after charging (crediting):				
Allowance for doubtful debts	**–**	4,428	**–**	4,201
Allowance for inventories	**–**	1,734	**–**	3,324
Amortisation of intangible asset	**–**	–	**–**	633
Amortisation of prepaid lease payments	**32**	31	**63**	62
Depreciation	**3,112**	2,746	**6,361**	4,992
Less: amounts included in contract costs	**(791)**	(944)	**(1,561)**	(1,386)
	2,321	1,802	**4,800**	3,606
Loss (gain) on disposal of property, plant and equipment	**1,353**	(84)	**1,353**	(165)
Research and development costs recognised as an expense	**2,448**	1,883	**4,155**	3,583

9. DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2010 and 2009.

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

For the periods ended 30 June 2010

10. EARNINGS (LOSS) PER SHARE

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

	Three months ended 30 June		Six months ended 30 June	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Earnings (loss)				
Earnings (loss) for the purposes of basic and diluted earnings (loss) per share (profit (loss) for the period attributable to owners of the Company)	**12,753**	(13,979)	**37,294**	(9,614)
	'000	*'000*	***'000***	*'000*
Number of shares				
Weighted average number of ordinary shares for the purposes of basic and diluted earnings (loss) per share	**1,295,246**	1,295,246	**1,295,246**	1,295,246

The computation of diluted earnings per share for the three months and six months ended 30 June 2010 does not assume the exercise of the share options as the exercise prices of the share options are higher than the average market price of the shares for the periods.

The computation of diluted earnings per share for the three months and six months ended 30 June 2009 did not assume the exercise of the share options as the exercise prices of the share options were higher than the average market price of the shares for that periods.

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

For the periods ended 30 June 2010

11. PROPERTY, PLANT AND EQUIPMENT

	Carrying values *HK$'000*
At 1 January 2010 (audited)	115,389
Exchange realignment	1,216
Additions	89,205
Depreciation for the period	(6,361)
Disposals	(1,353)
At 30 June 2010 (unaudited)	198,096

As at 30 June 2010, construction in progress with a carrying value of approximately HK$165,248,000 (31 December 2009: HK$91,460,000) represents a building in the PRC for the Group's own use in the course of construction.

12. INVESTMENT PROPERTIES

	Carrying value *HK$'000*
Properties interest under construction	
Acquired on acquisition of a subsidiary (Note 24) and at 30 June 2010 (unaudited)	84,473

The investment properties represent the properties interest held under an operating lease on a property project under construction which arose from a framework agreement on 28 March 2007 (as supplemented on 3 April 2008) (the "Framework Agreement") entered into by Guangdong Shishang, a subsidiary of the Company, and 珠江電影製片有限公司 Pearl River Film Production Company Limited* ("Pearl River Film Production"), a limited liability company established in the PRC and state-owned enterprise, to redevelop 珠影文化產業園 Pearl River Film Cultural Park* ("Pearl River Film Cultural Park"). Details of the property project are disclosed in note 24.

The investment properties are stated at cost as the fair value of the properties under construction cannot be reliably determined.

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

For the periods ended 30 June 2010

13. OTHER RECEIVABLES

The whole amount of other receivables classified as non-current assets and approximately HK$4,336,000 (31 December 2009: HK$4,153,000) of other receivables classified as current assets relate to receivables arising from virtual print fee ("VPF") agreements.

As at 30 June 2010, the Group has outstanding VPF agreements and exhibition agreements (collectively referred to as "VPF Arrangement") with distributors and exhibitors of digital content (collectively referred to as "Third Parties") in connection with the deployment of digital cinema equipment in cinemas in Asia. Under the VPF Arrangement, the Group provides (i) assembly and integration services in respect of digital cinema equipment and install the equipment in the exhibitors' cinemas as well as (ii) financing to the Third Parties for a portion of the agreed purchase price of this digital cinema equipment. These receivables, which are to be settled based on the usage of the digital cinema equipment within 10 years from the date of installation, bear interest at the cost of funds incurred by that subsidiary arising from the VPF Arrangement but subject to a cap of 10% per annum. There is no new VPF Arrangements entered into in the current interim period.

The Directors expect that approximately HK$4,336,000 (31 December 2009: HK$4,153,000) will be settled within one year after the end of the reporting period and this amount is therefore classified as a current asset.

14. PLEDGED BANK DEPOSITS

The amounts represent deposits pledged to banks to secure a construction agreement entered into with an independent third party (classified as non-current asset) and short-term bank borrowings (classified as current assets). The pledged bank deposits will be released upon the settlement of the construction payable and the bank borrowings, respectively. As at 30 June 2010, the deposits carried interest rate at 1.98% (31 December 2009: 1.98%) and 2.25% (31 December 2009: Nil) per annum, respectively.

15. PRODUCTIONS WORK IN PROGRESS

	30 June 2010 *HK$'000* **(unaudited)**	31 December 2009 *HK$'000* (audited)
Television series	**1,732**	–
Movies	**773**	–
	2,505	–

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

For the periods ended 30 June 2010

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

The following are details of contracts from CG production in progress at the end of the reporting period:

	30 June 2010 HK$'000 (unaudited)	31 December 2009 HK$'000 (audited)
Contract costs incurred plus recognised profits less recognised losses	**39,818**	49,991
Less: progress billings	**(32,011)**	(44,562)
	7,807	5,429
Analysed for reporting purposes as:		
Amounts due from customers for contract work	**7,807**	5,795
Amounts due to customers for contract work	**–**	(366)
	7,807	5,429

17. TRADE RECEIVABLES

	30 June 2010 HK$'000 (unaudited)	31 December 2009 HK$'000 (audited)
Trade receivables	**78,332**	41,497
Less: allowance for doubtful debts	**–**	(159)
	78,332	41,338

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

The following is an aged analysis at the end of the reporting period of trade receivables, net of allowance for doubtful debts presented based on the invoice date:

	30 June 2010 HK$'000 (unaudited)	31 December 2009 HK$'000 (audited)
Within three months	**70,166**	39,531
Three to six months	**7,575**	1,484
Over six months	**591**	323
	78,332	41,338

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

For the periods ended 30 June 2010

18. CONVERTIBLE LOAN RECEIVABLE

On 23 December 2008, the Group entered into a conditional agreement (the "Loan Facility Arrangement") with Southern International Limited (the "Borrower"), a private investment company incorporated in Hong Kong, 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") at an exercise price to be determined with reference to the audited consolidated financial statements of the Borrower in respect of each of the 12-month periods beginning on 1 July each year from 2009 to 2012. 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 Conversion Option was granted to the Group pursuant to the Loan Facility Arrangement. Accordingly, 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 Limited ("Sallmanns") an independent qualified professional valuer not connected with the Group, to ascertain the fair value of the Conversion Option as at 17 February 2009 and 30 June 2009 ("Valuation"). The fair value of the Conversion Option as at 31 December 2009 was estimated by the Directors with reference to the valuation methodology adopted by Sallmanns and the performance of the Borrower since 1 July 2009. 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 initial recognition and 31 December 2009. In view of no significant changes in the business operation of the Borrower, the Group considers the carrying amounts of the outstanding Loan Receivable and the Conversion Option approximate to their fair values as at 30 June 2010.

As at 31 December 2009, the carrying amount of the convertible loan receivable of approximately HK$119.3 million comprised principal amount of RMB100 million (equivalent to approximately HK$113.6 million) and the accrued interest thereon.

During the six months ended 30 June 2010, the Borrower repays part of the principal amount of Loan Receivable and the accrued interest thereon amounting to approximately HK$110.1 million. As at 30 June 2010, the remaining principal amount and interest of approximately HK$10.6 million is expected to be settled within one year after the end of the reporting period and therefore is classified as a current asset. The convertible loan receivable is stated at amortised cost using the effective interest method at 6% per annum less any identified impairment losses.

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

For the periods ended 30 June 2010

19. TRADE PAYABLES

The following is an aged analysis at the end of the reporting period of trade payables presented based on the invoice date:

	30 June 2010	31 December 2009
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Within three months	**40,634**	29,965
Three to six months	**7,004**	1,816
	47,638	31,781

The average credit period on purchases of goods is 60 days.

20. AMOUNT DUE TO AN ASSOCIATE

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

21. SECURED BANK BORROWINGS

During the six months ended 30 June 2010, the Group draws a new borrowing of approximately HK$102,299,000 from existing unutilised banking facilities, which is secured by pledge of construction in progress and prepaid lease payments, carries interest at the People's Bank of China Renminbi Lending Rate per annum and are repayable after twelve months from the end of the reporting period in instalments over a period of five years, and obtains new bank loans of approximately HK$42,001,000, which are secured by pledge of bank deposits, carries at fixed interest rates from 1.98% to 2.02% per annum and are repayable within twelve months from the end of the reporting period. The proceeds are used to finance the construction and as general working capital for the Group, respectively.

22. ISSUED CAPITAL

Issued capital as at 30 June 2010 amounted to approximately HK$12,952,000. There are no movements in the issued capital of the Company in either the current or the prior interim reporting periods.

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

For the periods ended 30 June 2010

23. COMMITMENTS AND CONTINGENCIES

Capital commitments

	30 June 2010 *HK$'000* **(unaudited)**	31 December 2009 *HK$'000* (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
Acquisition of property, plant and equipment	**77,052**	125,733

Litigations

(i) 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.

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.

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

For the periods ended 30 June 2010

23. COMMITMENTS AND CONTINGENCIES *(Continued)*

Litigations *(Continued)*

(ii) The Company received an original complaint in April 2010 and a first amended complaint in July 2010 for damages and injunctive relief, and demand for jury trial (the "Proceeding") filed with the District Court, Central District of California Western Division of the United States by X6D Limited, X6D USA Inc. and XpanD, Inc. against, among others, the Company and its subsidiaries namely GDC Technology Limited ("GDC Technology"), GDC Technology China Limited, GDC Technology (USA) LLC and GDC Technology of America LLC (collectively, the "Defendants") for copyright infringement, trademark and trade dress infringement, patent infringement, misappropriation of trade secrets and statutory unfair competition in relation to the 3D glasses sold by the Defendants. Sale of 3D glasses is not a core business of the Group.

The Group has filed a motion to dismiss in July 2010 as to strike for certain claims and certain allegations in the Proceeding. No trial date has been set up upto the date of this report. Since the Proceeding is in a preliminary stage, the Directors cannot assess the outcome of the litigation.

24. ACQUISITION OF A SUBSIDIARY

On 30 March 2010, the Group acquired 68% of the issued capital of Guangdong Shishang for consideration of RMB56,060,000 (equivalent to approximately HK$63,705,000). The acquisition was completed on 20 April 2010. Details of the acquisition were set out in the announcement of the Company dated 30 March 2010.

Guangdong Shishang is a limited liability company established in the PRC on 23 March 2007. Guangdong Shishang entered into the Framework Agreement with Pearl River Film Production to redevelop the Pearl River Film Cultural Park. Pearl River Film Production, as the landlord of the Pearl River Film Cultural Park, agrees to grant the property leasing right to Guangdong Shishang, in return for predetermined fixed monthly payment from Guangdong Shishang for a term up to 31 December 2045. Guangdong Shishang is responsible for the design, financing, construction and operation of the Pearl River Film Cultural Park and the funding of the entire construction project. Upon the expiration of the Framework Agreement, Guangdong Shishang has to return all properties to Pearl River Film Production.

The Pearl River Film Cultural Park is located at No. 352 and 354, Xin Gang Zhong Road, Guangzhou, China and the present land use right is owned by Pearl River Film Production. After the redevelopment, which is expected to be completed in the next 2 to 3 years, the Pearl River Film Cultural Park will have a commercial area, a cultural entertainment area and a film production and development area, which will be held for investment properties purpose.

The acquisition of the subsidiary is accounted for as acquisition of assets and assumption of liabilities.

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

For the periods ended 30 June 2010

24. ACQUISITION OF A SUBSIDIARY *(Continued)*

The net assets of the subsidiary acquired as of the completion date of the acquisition are as follows:

	HK$'000 **(unaudited)**
Net assets acquired:	
Investment properties	84,473
Prepayments, deposits and other receivables	12,305
Bank balances and cash	556
Other payables and accruals	(5,702)
	91,632
Non-controlling interests	(27,927)
Total consideration satisfied by cash	63,705

	HK$'000 **(unaudited)**
Net cash outflow arising on acquisition:	
Cash consideration paid	63,705
Bank balances and cash acquired	(556)
	63,149

25. DILUTION OF INTEREST IN A SUBSIDIARY

The amount of approximately HK$2,261,000 represents the excess of proceeds of HK$3,300,000 received by GDC Technology, a subsidiary of the Company, upon exercise of share options of GDC Technology over the carrying amount of non-controlling interests deemed to be disposal of on dilution amounting to approximately HK$1,039,000. The amount has been recognised in special reserve in the current period.

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 29, which comprise the condensed consolidated statement of financial position of Global Digital Creations Holdings Limited (the "Company") and its subsidiaries as of 30 June 2010 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months 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 months ended 30 June 2010 and 2009 disclosed in the interim financial information have not been reviewed in accordance with HKSRE 2410.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
9 August 2010

MANAGEMENT DISCUSSION AND ANALYSIS

Financial overview

Revenue for the six months ended 30 June 2010 is approximately HK$254,282,000, when comparing with that of approximately HK$161,056,000 for the corresponding period in the year 2009, representing an increase of approximately 58%. The increase is mainly attributable to an increase in sales of goods, technical service income and revenue from provision of assembly and integration services by approximately HK$92,428,000, HK$8,832,000 and HK$3,032,000, respectively. As a trend of conversing to digital cinema worldwide, more digital cinema equipment is sold and related services are provided during this period.

Cost of sales for the six months ended 30 June 2010 amounts to approximately HK$143,744,000, when comparing with that of approximately HK$127,705,000 for the corresponding period in the year 2009, representing an increase of approximately 13%. The increase is mainly due to increase in costs of goods sold.

The Group records a gross profit of approximately HK$110,538,000 for the six months ended 30 June 2010, representing a gross profit margin of approximately 43%. Comparing with the gross profit margin of approximately 21% for the corresponding period in the year 2009, the significant improvement is mainly due to increase in sales of digital cinema equipment with higher margins and increase in technical service income and revenue from provision of assembly and integration services in relation to digital cinemas during this period.

Other income for the six months ended 30 June 2010 amounts to approximately HK$6,190,000 (Six months ended 30 June 2009: HK$8,281,000), representing a decrease of approximately 25%. The decrease is mainly due to the fact that the amount for the six months ended 30 June 2009 included an one-off gain of approximately HK$2,543,000 on disposal of intangible asset to China Film Group Corporation ("CFGC") 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 of approximately HK$2,062,000 derived from the deferred consideration.

Administrative expenses for the six months ended 30 June 2010 amounts to approximately HK$40,241,000 (Six months ended 30 June 2009: HK$38,598,000), representing an increase of approximately 4%. The increase is a result of growth in the scale of operations of the Group during this period.

Overall, the Group records profit of approximately HK$37,294,000 for the six months ended 30 June 2010 attributable to owners of the Company, when comparing with that loss of approximately HK$9,614,000 for the corresponding period in the year 2009.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business review and outlook

Digital content distribution and exhibitions

As a result of an increase in orders of digital cinema equipment and related services from customers in the United States, the PRC and other Asian countries during this period, segment revenue and segment result from the digital content distribution and exhibitions division record respective increases of approximately 77% and 255% to approximately HK$230,733,000 and HK76,428,000 for the six months ended 30 June 2010 when comparing with that for the corresponding period in the year 2009. The continuous improvement is mainly due to the success of 3D feature films and the availability of funding for digital cinema deployment, driving the brisk demand for installation of digital equipment in cinemas for exhibition of digital content.

Besides, the market boom in the United States, where digital cinema equipment is widely accepted by the exhibitors translated into the Group shipping twice as many products in terms of revenue to there than the PRC market during this period. The Group establishes a new office in the East Coast of the United States to deliver better services and customer support to the exhibitors as well as to grow prospective customer base in the region.

Year 2010 marks an important milestone in the era of digital cinema, as a brand new generation of projector, DLP Cinema® Series 2 projector is delivered. In response to the enhancement of projector technology, the Group is the first to offer its "S2 Upgrade" kits to upgrade all its SA2100 digital cinema servers that can connect to the DLP Cinema® Series 2 projector. In March 2010, the Group participated in the ShoWest 2010 and demonstrated its fifth generation SX2000 and SX2001 digital cinema servers. SX2000 incorporates an integrated media block ("IMB") that integrates with the DLP Cinema® Series 2 projector, the Group is one of the major suppliers in the world that produces IMB for the DLP Cinema® Series 2 projector. During this period, the Group also launches a new feature – "3D Live" option in its digital cinema server for the 3D broadcast without addition decoder box. The customer in South Korea adopts this solution to bring live 3D FIFA World Cup broadcast successfully to its 52 cinemas.

With the new generation of servers and other products for theatre management, digital cinema mastering, cinema digital signage and integrated projection system, the Group is capable of offering exhibitors an all-round digital cinema solution and developing products that aim at meeting more than the standard Digital Cinema Initiative ("DCI") specifications, thus differentiating its technology from its competitors. To capture the potential opportunities, the Group will also strengthen its research and development, production facilities, service teams and marketing effort to provide superior digital delivery and display solutions to customers.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business review and outlook *(Continued)*

Deployment of digital cinema network in Asia

In Asia (other than the PRC), the Group has signed non-exclusive virtual print fee ("VPF") agreements with five out of six major Hollywood studios for digital cinema deployment. These studios are committed to supply Asian exhibitors with feature film content digitally, as well as to provide financial assistance for the hardware cost of DCI compliant digital cinema equipment deployed. The Group has signed agreements with two major exhibitors in Hong Kong to participate in the VPF arrangement and endeavors to enter into similar agreements with exhibitors in other Asian jurisdictions in the coming future.

Computer graphic ("CG") creation and production

Since the second half of the year 2009, the international animation production industry has been depressed with less investment in new projects, resulting in a decrease in revenue from CG creation and production division for the six months ended 30 June 2010 by approximately 53% when comparing with that for the corresponding period in the year 2009, and incurs a loss for this period. However, the Group currently has three CG production projects from Europe and North America in progress, with several other projects under testing stage, of which productions of two to three projects are likely to commence in the second half of the year 2010.

In view of the growing 3D film market and animation industry in the PRC, the Group plans to promote new 3D animation programmes and invest in its own traditional and CG animation IP assets. During this period, the Group begins production of two 3D animated films, two CG animated and one traditional animated television series. The Group also plans to expand to related businesses in the animation industry in the year 2010.

In addition to investing in IP assets and undertaking international production projects, the Group will work with renowned directors and producers and large international animation content production and distribution companies for co-production projects. At the same time, the Group is actively looking for new customers, and is now discussing with several world-leading entertainment brands for animated television series and films. Many clients express a desire for long-term and multi-project relationships, including both 3D films and CG Television series, with the Group based on the Group's demonstrated track record of providing reliable, cost-effective, high-quality CG production services to international markets.

Furthermore, the Group's achievement in CG business is recognised by the PRC government, the Group's subsidiary in Shenzhen is named "Cultural & Technology" demonstrative enterprise and awarded the "Top 100 in the China's Emerging Service Provider" during this period.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business review and outlook *(Continued)*

CG training

CG training division continues to strive, as a core component of its strategy, towards professionalism and strengthening of its training materials. For the six months ended 30 June 2010, this division records steady growth in revenue of approximately 12% when comparing with that for the corresponding period in the year 2009.

After upgrading the existing training courses with the latest knowledge of CG production, online and other games, the Group organises new professional training programmes in other areas, including after effects, virtual reality and case studies for animation, in response to the market requirements. Besides, the Group continues to co-operate with prominent high schools in the PRC for organising "Skill and Qualification" training programme to their students in achieving "One Course, Several Certificates", and to train up their practical skills to get ready for work immediately after graduation.

In addition to the success of the Group's training centres in Shanghai, Shenzhen, Wuxi, Chongqing and Guangzhou, the Group plans to set up a new training centre in northern China to provide comprehensives coverage in the PRC, with a view to stimulating and promoting its training business to those areas with developed animation industry and expanding further its training network.

Cultural park

During this period, the Group acquires 68% interest in 廣東時尚置業有限公司 Guangdong Shishang Zhiye Investment Co., Ltd.* ("Guangdong Shishang"), a limited liability company established in the PRC. Guangdong Shishang has entered into a framework agreement with 珠江電影製片有限公司 Pearl River Film Production Company Limited* to redevelopment 珠影文化產業園 Pearl River Film Cultural Park*. The Group considers that this acquisition will enable the Group to participate in the media entertainment and related commercial property development businesses in the PRC which has shown considerable growth in recent years and expect this stable growth will continue in the coming years as the national economy of the PRC continues to grow. The Group is now preparing detailed construction plans and budget for the redevelopment.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Liquidity and financial resources

As at 30 June 2010, the Group has bank balances and cash of approximately HK$271.2 million (31 December 2009: HK$166.6 million) and pledged bank deposits of approximately HK$44.0 million (31 December 2009: HK$2.0 million), which are mainly denominated in Hong Kong dollars, Renminbi and United States dollars. The increase is the result of new bank loans raised of approximately HK$144.3 million, repayment from convertible loan receivable of approximately HK$110.1 million and net cash from operating activities of approximately HK$39.0 million, netted off with purchase of property, plant and equipment of approximately HK$87.6 million and net cash outflow arising on acquisition of a subsidiary of approximately HK$63.1 million.

As at 30 June 2010, the Group's borrowings amount to approximately HK$154.6 million, of which approximately HK$42.0 million are repayable within twelve months from 30 June 2010 and approximately HK$112.6 million are repayable after twelve months from 30 June 2010. All borrowings bear interest at market rates.

The Group's gearing ratio (calculated as borrowings divided by equity attributable to owners of the Company) as at 30 June 2010 is approximately 42% (31 December 2009: 3%). As at 30 June 2010, the Group has current ratio of approximately 2.2 (31 December 2009: 2.8) based on current assets of approximately HK$515.1 million and current liabilities of approximately HK$233.8 million. The increase in the gearing ratio is mainly attributable to new bank loans raised to finance the construction of the Group's headquarters building in Shenzhen and as general working capital for the Group. Notwithstanding such increase, the Group continues to maintain a healthy capital ratio as it has excess of current assets over current liabilities.

Capital structure

The equity attributable to owners of the Company amounts to approximately HK$371.6 million as at 30 June 2010 (31 December 2009: HK$329.5 million). The increase is mainly attributable to profit for the six months ended 30 June 2010 attributable to owners of the Company of approximately HK$37.3 million.

Material acquisition, disposals and significant investment

Other than acquisition of a subsidiary and dilution of interest in a subsidiary as disclosed in notes 24 and 25 to the condensed consolidated financial statements, respectively, the Group does not make any material acquisitions, disposals and significant investment during the six months ended 30 June 2010.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Charge on assets

As at 30 June 2010, the Group has the following charges on assets:

(i) The Group's construction in progress and prepaid lease payments with an aggregate carrying value of approximately HK$171.2 million are pledged to a bank to secure for bank borrowing with outstanding amount of approximately HK$112.6 million and untilised borrowing facilities of approximately HK$59.8 million;

(ii) The Group pledges deposits amounting to approximately HK$42.1 million to a bank to secure short-term bank loans of approximately HK$42.0 million. The pledged bank deposit will be released upon the settlement of the loans; and

(iii) The Group pledges deposit amounting to approximately HK$2.0 million to a bank to secure a construction agreement entered into with an independent third party. The pledged bank deposit will be released upon the settlement of the construction payable.

Foreign exchange exposure

Currently, the Group earns revenue mainly in United States dollars and Renminbi, and incurs costs mainly in United States dollars, Renminbi and Hong Kong 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 2010, the Group has no significant exposure under foreign exchange.

Contingent liabilities

Saved as disclosed in note 23 to the condensed consolidated financial statements about litigation proceeding, the Group has no significant contingent liabilities as at 30 June 2010.

Employees

As at 30 June 2010, the Group employs 577 (31 December 2009: 652) full time employees (excluding those under the payroll of an associate of the Group). The Group remunerates 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 the employees of the Group.

During the six months ended 30 June 2010, the Company and its subsidiaries has not paid or committed to pay any amount as an inducement to join or upon joining the Company and/or its subsidiaries to any individual.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2010 (Six months ended 30 June 2009: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities (whether on the Stock Exchange or otherwise) during the period under review.

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

As at 30 June 2010, the interests and short positions of the Directors and chief executives of the Company or any of their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

(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: Interests in shares	Interests under equity derivatives*	Total interests	Total interests as to % to the issued share capital of the Company as at 30.06.2010
Mr. Chen Zheng	Beneficial owner	8,718,200	4,900,000	13,618,200	1.05%
Mr. Leung Shun Sang, Tony	Beneficial owner	20,008,200	4,900,000	24,908,200	1.92%
Mr. Kwong Che Keung, Gordon	Beneficial owner	800,820	490,000	1,290,820	0.09%
Mr. Hui Hung, Stephen	Beneficial owner	800,820	490,000	1,290,820	0.09%

* *The relevant interests are unlisted physically settled options granted pursuant to the Company's share option scheme adopted on 18 July 2003 (the "Scheme"). Upon exercise of the share options in accordance with the Scheme, ordinary shares of HK$0.01 each in the share capital of the Company are issuable. The share options are personal to the respective Directors. Further details of the share options are set out in the section headed "Share Option Schemes" below.*

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: Interests in shares	Interests under equity derivatives*	Total interests	Total interests as to % to the issued share capital of Shougang Grand as at 30.06.2010
Mr. Chen Zheng	Beneficial owner	–	18,368,000	18,368,000	1.59%
Mr. Leung Shun Sang, Tony	Beneficial owner	8,278,000	19,368,679	27,646,679	2.39%

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

(c) Long positions in the shares and underlying shares of GDC Technology Limited ("GDC Technology"), an associated corporation of the Company

		Number of shares/underlying shares held in GDC Technology			Total interests as to % to the issued
Name of Director	Capacity in which interests are held	Interests in shares	Interests under equity derivatives*	Total interests	share capital of GDC Technology as at 30.06.2010
Mr. Chen Zheng	Beneficial owner	8,533,334	1,650,000	10,183,334	4.33%
Mr. Leung Shun Sang, Tony	Beneficial owner	2,130,000	1,650,000	3,780,000	1.61%
Mr. Kwong Che Keung, Gordon	Beneficial owner	1,706,667	165,000	1,871,667	0.79%
Mr. Hui Hung, Stephen	Beneficial owner	–	165,000	165,000	0.07%

* *The relevant interests are unlisted physically settled options granted pursuant to GDC Technology's share option scheme adopted on 19 September 2006 (the "GDC Technology Share Option Scheme"). Upon exercise of the share options in accordance with the GDC Technology Share Option Scheme, ordinary shares of HK$0.10 each in the share capital of GDC Technology are issuable. The share options are personal to the respective Directors. Further details of the share options are set out in the section headed "Share Option Scheme" below.*

Save as disclosed above, as at 30 June 2010, none of the Directors, chief executives of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, at no time during the six months ended 30 June 2010 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2010, the following persons or corporations, other than the Directors or chief executives of the Company as disclosed above, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions in the shares of the Company

Name of shareholder	Capacity in which interests are held	Number of shares held in the Company	Interests as to % to the total issued share capital of the Company as at 30.06.2010
Shougang Holding (Hong Kong) Limited ("Shougang Holding")	Interests of controlled corporations	656,360,023 *(Note)*	50.67%
Wheeling Holdings Limited ("Wheeling")	Interests of controlled corporations	656,360,023 *(Note)*	50.67%
Shougang Grand	Interests of controlled corporation	656,360,023 *(Note)*	50.67%
Upper Nice Assets Ltd. ("Upper Nice")	Beneficial owner	656,360,023 *(Note)*	50.67%
Keywise Capital Management (HK) Limited	Investment manager	140,342,000	10.84%
Keywise Greater China Opportunities Master Fund	Beneficial owner	89,391,600	6.90%

Note: *Upper Nice is an indirect wholly-own subsidiary of Shougang Grand. Shougang Grand was held as to approximately 37.37% by Wheeling, a wholly-owned subsidiary of Shougang Holding. Accordingly, all these corporations are deemed to be interested in the share capital of the Company which Upper Nice is interested under the SFO.*

Save as disclosed above, as at 30 June 2010, the Company has not been notified of any other person or corporations (other than the Directors and chief executives of the Company) who had an interest or short position in the shares and underlying shares of the Company as record in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEMES

(a) Share option scheme of the Company

On 18 July 2003, the Scheme which complies with the requirements of Chapter 23 of the GEM Listing Rules was adopted by the shareholders of the Company. No share option was granted, exercised or cancelled in accordance with the terms of the Scheme during the six months ended 30 June 2010. Details of movements in the share options under the Scheme during the period are as follows:

	Options to subscribe for shares of the Company							
Category or name of grantees	At the beginning of the period	Transferred to other category during the period	Transferred from other category during the period	Lapsed during the period	At the end of the period	Date of grant	Exercise period	Exercise price per share
Directors of the Company								
Mr. Cao Zhong	4,900,000	(4,900,000)[1]	–	–	–	30.10.2007	30.10.2007 – 29.10.2012	HK$2.75
Mr. Chen Zheng	4,900,000	–	–	–	4,900,000	30.10.2007	30.10.2007 – 29.10.2012	HK$2.75
Mr. Leung Shun Sang, Tony	4,900,000	–	–	–	4,900,000	30.10.2007	30.10.2007 – 29.10.2012	HK$2.75
Mr. Kwong Che Keung, Gordon	490,000	–	–	–	490,000	30.10.2007	30.10.2007 – 29.10.2012	HK$2.75
Mr. Hui Hung, Stephen	490,000	–	–	–	490,000	30.10.2007	30.10.2007 – 29.10.2012	HK$2.75
	15,680,000	(4,900,000)	–	–	10,780,000			
Employees of the Group	2,300,000	(100,000)[2]	–	(2,200,000)[3]	–	22.03.2007	22.03.2007 – 21.03.2010	HK$1.07
	2,262,000	(200,000)[2]	–	(2,062,000)[4]	–	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
	14,462,000	(300,000)	–	(4,262,000)	9,900,000			
Other participants	–	–	100,000[2]	(100,000)[2]	–	22.03.2007	22.03.2007 – 21.03.2010	HK$1.07
	1,781,000	–	200,000[2]	(1,981,000)[5]	–	04.04.2007	04.04.2007 – 03.04.2010	HK$1.52
	–	–	4,900,000[1]	–	4,900,000	30.10.2007	30.10.2007 – 29.10.2012	HK$2.75
	1,781,000	–	5,200,000	(2,081,000)	4,900,000			
	31,923,000	(5,200,000)	5,200,000	(6,343,000)	25,580,000			

SHARE OPTION SCHEMES *(Continued)*

(a) Share option scheme of the Company *(Continued)*

Notes:

1 *Such share option was re-classified from the category of "Directors of the Company" to "Other participant" due to Mr. Cao Zhong ceased to be a director of the Company and became a consultant of the Group during the period.*

2. *Such share options were re-classified to the category of "Other participants" upon those grantees ceasing to be employees of the Group during the six months ended 30 June 2010. According to the Scheme, such share options lapsed on the expiry of the three months period following the date of cessation as employees of the Group.*

3. *Such share options lapsed on 22 March 2010 according to the Scheme.*

4. *Such share options were lapsed on 4 April 2010 according to the Scheme.*

5. *According to the Scheme, 820,000 share options lapsed upon the expiry of the three months period following the date of cessation as other participants of the Group and 1,161,000 share options lapsed on 4 April 2010.*

SHARE OPTION SCHEMES *(Continued)*

(b) Share option scheme of a subsidiary of the Company - GDC Technology

Each of the Company and Shougang Grand has adopted the GDC Technology Share Option Scheme by a shareholders' resolution passed at their respective special general meeting held on 19 September 2006. No share option was granted, cancelled or lapsed in accordance with the terms of the GDC Technology Share Option Scheme during the six months ended 30 June 2010. Details of movements in the share options under the GDC Technology Share Option Scheme during the period are as follows:

	Options to subscribe for shares of the GDC Technology							
Category or name of grantees	At the beginning of the period	Transferred to other category during the period	Transferred from other category during the period	Exercised during the period	At the end of the period	Date of grant	Exercise period	Exercise price per share
Directors of the Company								
Mr. Cao Zhong	1,650,000	(1,650,000)[1]	–	–	–	02.11.2007	02.11.2007 – 01.11.2012	HK$2.00
Mr. Chen Zheng	1,650,000	–	–	–	1,650,000	02.11.2007	02.11.2007 – 01.11.2012	HK$2.00
Mr. Leung Shun Sang, Tony	1,650,000	–	–	–	1,650,000	02.11.2007	02.11.2007 – 01.11.2012	HK$2.00
Mr. Kwong Che Keung, Gordon	165,000	–	–	–	165,000	02.11.2007	02.11.2007 – 01.11.2012	HK$2.00
Mr. Hui Hung, Stephen	165,000	–	–	–	165,000	02.11.2007	02.11.2007 – 01.11.2012	HK$2.00
	5,280,000	(1,650,000)	–	–	3,630,000			
Employees of the Group	1,650,000	–	–	–	1,650,000	02.11.2007	02.11.2007 – 01.11.2012	HK$2.00
Other participant	–	–	1,650,000[1]	(1,650,000)	–	02.11.2007	02.11.2007 – 01.11.2012	HK$2.00
	6,930,000	(1,650,000)	1,650,000	(1,650,000)	5,280,000			

Note:

1. *Such share option was re-classified from the category of "Directors of the Company" to "Other participant" due to Mr. Cao Zhong ceased to be a director of the Company and became a consultant of the Group during the period.*

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Pursuant to Rule 11.04 of the GEM Listing Rules, the following Directors have declared interests in the following businesses (other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or any member of the Group) which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group during the period:

Name of Director	Name of entity whose businesses are considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entity which are considered to compete or likely to compete with the businesses of the Group	Nature of interest of the Director in the entity
Mr. Li Shaofeng	Shougang Grand *(Note 1)*	Cultural recreation content provision *(Note 2)*	Chairman
Mr. Chen Zheng	Shougang Grand *(Note 1)*	Cultural recreation content provision *(Note 2)*	Managing director of operations
Mr. Leung Shun Sang, Tony	Shougang Grand *(Note 1)*	Cultural recreation content provision *(Note 2)*	Director

Notes:

1. *Shougang Grand is the holding company of the Company which indirectly held approximately 50.67% interests in the Company as at 30 June 2010.*

2. *Such businesses may be carried out through the subsidiaries or associates of Shougang Grand concerned or by way of other forms of investments.*

The Board is independent from the board of directors of Shougang Grand. Coupled with the expertise and professional experience of 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 Shougang Grand.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions of the Code on Corporate Governance Practices set out in Appendix 15 of the GEM Listing Rules throughout the six months ended 30 June 2010.

COMPLIANCE WITH CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted a code of conduct regarding Directors' securities transactions (the "Code of Conduct regarding Directors' Securities Transactions") on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Standard of Dealings"). Having made specific enquiry of all Directors, all Directors confirm that they have complied with the required Standard of Dealings and Code of Conduct regarding Directors' Securities Transactions throughout the six months ended 30 June 2010.

CHANGES OF DIRECTORS' INFORMATION

Changes of Directors' information since the date of the 2009 annual report of the Company, which are required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules, are set out below:

1) Mr. Jin Guo Ping appointed as a member of the Shenzhen Committee of the Chinese People's Political Consultative Conference with effect from 21 May 2010.

2) Mr. Kwong Che Keung, Gordon ceased to act as an independent non-executive director of Tianjin Development Holdings Limited and China Oilfield Services Limited (the shares of which are listed on the main board of the Stock Exchange) with effect from 26 May 2010 and 28 May 2010, respectively.

AUDIT COMMITTEE

The Group's interim results for the six months ended 30 June 2010 were unaudited. However, the Company has engaged the Auditor to assist the Audit Committee to review the 2010 unaudited interim results of the Group. A meeting of the Audit Committee was held with the Auditor and the management of the Company on 2 August 2010 for, amongst other things, reviewing the interim results of the Group for the six months ended 30 June 2010.

APPRECIATION

On behalf of the Board, I would like to extend our sincere thanks to our customers, suppliers and shareholders for their continuous support to the Group. I would also extend my gratitude and appreciation to all directors, management and staff for their hard work and dedication throughout the period.

By Order of the Board
Li Shaofeng
Chairman

Hong Kong, 9 August 2010