環球數碼創意控股有限公司*

GLOBAL DIGITAL CREATIONS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 8271)

FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2008

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This announcement, 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: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

FIRST QUARTERLY RESULTS

The board of Directors of the Company (the "Board") is pleased to announce the unaudited condensed consolidated quarterly results of the Company and its subsidiaries (the "Group") for the three months ended 31 March 2008 with comparative figures for the corresponding period in 2007. These quarterly results have been reviewed by the Company's Audit Committee.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended 31 March 2008

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

NOTES:

1. BASIS OF PREPARATION

The unaudited condensed consolidated income statement has been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

2. SIGNIFICANT ACCOUNTING POLICIES

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

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

In the current period, the Group has applied, for the first time, a number of new interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for the Group's financial year beginning 1 January 2008. The adoption of these new interpretations had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new and revised standards, amendment or interpretation that have been issued by the HKICPA but are not yet effective.

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

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

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

3. **REVENUE**

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

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

4. **FINANCE COSTS**

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

5. **GAIN ON DILUTION OF INTEREST IN A SUBSIDIARY**

The amount for the three months ended 31 March 2007 represented the gain on dilution of the Group's interest in GDC Technology Limited ("GDC Technology"), a subsidiary of the Company, from approximately 83.3% to 56.3% of the issued capital of GDC Technology upon the completion of the subscription of 52,383,580 shares of GDC Technology by a subscriber at a consideration of US$6.5 million (or equivalent to approximately HK$50,570,000) in January 2007.

6. INCOME TAX EXPENSE

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

Pursuant to the relevant income tax regulations for productive enterprises with foreign investment established in the People's Republic of China (the "PRC", for the purpose of this announcement, does not include Hong Kong, Macau and Taiwan) and being approved by the relevant PRC tax authority, some subsidiaries in the PRC are eligible for an exemption from PRC Enterprise Income Tax ("EIT") for two years starting from the first profit-making year after offsetting all tax losses carried forward from the previous five years, followed by a 50% reduction in the next three years. For both periods, no provision for PRC EIT had been made in the unaudited condensed consolidated income statement as those PRC subsidiaries were either exempted from PRC EIT or did not have assessable profit for the period.

7. (LOSS) EARNINGS PER SHARE

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

	Three months ended 31 March	
	2008	2007
	HK$'000	*HK$'000*
(Loss) earnings		
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share ((Loss) profit for the period attributable to equity holders of the Company)	**(14,805)**	45,058

	Three months ended 31 March	
	2008	2007
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	**1,295,246**	837,577
Effect of dilutive potential ordinary shares:		
Options	**–**	31,330
Weighted average number of ordinary shares for the purposes of diluted (loss) earnings per share	**1,295,246**	868,907

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

8. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company												
	Share capital	Share premium account	Capital contribution reserve	Contributed surplus	Statutory reserve	Share options reserve	Exchange reserve	Special reserve	Accumulated losses	Total	Share options reserve of a subsidiary	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2008	12,952	589,670	445	40,271	680	39,261	3,066	(46,366)	(281,943)	358,036	15,988	61,167	435,191
Exchange differences on translation of foreign operations recognised directly in equity	–	–	–	–	–	–	12,502	–	–	12,502	–	492	12,994
Loss for the period	–	–	–	–	–	–	–	–	(14,805)	(14,805)	–	(2,247)	(17,052)
Total recognised income and expenses for the period	–	–	–	–	–	–	12,502	–	(14,805)	(2,303)	–	(1,755)	(4,058)
At 31 March 2008	12,952	589,670	445	40,271	680	39,261	15,568	(46,366)	(296,748)	355,733	15,988	59,412	431,133
At 1 January 2007	8,008	92,438	445	40,271	680	5,590	(2,205)	–	(300,253)	(155,026)	317	–	(154,709)
Exchange differences on translation of foreign operations recognised directly in equity	–	–	–	–	–	–	(196)	–	–	(196)	–	–	(196)
Profit for the period	–	–	–	–	–	–	–	–	45,058	45,058	–	858	45,916
Total recognised income and expenses for the period	–	–	–	–	–	–	(196)	–	45,058	44,862	–	858	45,720
Sub-total	8,008	92,438	445	40,271	680	5,590	(2,401)	–	(255,195)	(110,164)	317	858	(108,989)
Shares issued	1,600	72,944	–	–	–	–	–	–	–	74,544	–	–	74,544
Transaction costs attributable to issue of shares	–	(2,419)	–	–	–	–	–	–	–	(2,419)	–	–	(2,419)
Increase in minority share of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	9,940	9,940
Exercise of share options	109	4,037	–	–	–	(873)	–	–	–	3,273	–	–	3,273
Recognition of equity-settled share based payments	–	–	–	–	–	1,878	–	–	–	1,878	–	–	1,878
At 31 March 2007	9,717	167,000	445	40,271	680	6,595	(2,401)	–	(255,195)	(32,888)	317	10,798	(21,773)

9. **SUBSEQUENT EVENT**

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

INTERIM DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

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

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

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

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

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

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

Gain on dilution of interest in a subsidiary of approximately HK$40,295,000 for the three months ended 31 March 2007 represented the gain on dilution of the Group's interest in GDC Technology from approximately 83.3% to 56.3% of the issued capital of GDC Technology upon the completion of the subscription of 52,383,580 shares of GDC Technology by a subscriber at a consideration of US$6.5 million (or equivalent to approximately HK$50,570,000) in January 2007.

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

BUSINESS REVIEW AND OUTLOOK

Digital content distribution and exhibitions

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

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

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

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

CG creation and production

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

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

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

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

CG training

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

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

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.

APPRECIATION

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

By Order of the Board
Cao Zhong
Chairman

14 May 2008

As at the date of this announcement, the Board comprises Mr. Cao Zhong (Chairman), Mr. Chen Zheng (Managing Director), Mr. Jin Guo Ping (Deputy Managing Director), Ms. Lu Yi, Gloria (Deputy Managing Director), Mr. Leung Shun Sang, Tony (Non-executive Director), Mr. Kwong Che Keung, Gordon (Independent Non-executive Director), Professor Bu Fan Xiao (Independent Non-executive Director) and Mr. Hui Hung, Stephen (Independent Non-executive Director).

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the Company's website at www.gdc-world.com.

* *For identification purpose only*