



環球數碼創意控股有限公司*
GLOBAL DIGITAL CREATIONS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 8271)

**INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2009**

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) 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.

* For identification purpose only

INTERIM RESULTS

The board of Directors of the Company (the “Board”) is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (the “Group”) for the three months and the six months ended 30 June 2009 with comparative figures for the corresponding periods in 2008.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIODS ENDED 30 JUNE 2009

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

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

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2009

	<i>NOTES</i>	30 June 2009 <i>HK\$'000</i> (unaudited)	31 December 2008 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment	12	57,522	28,265
Intangible asset	13	–	244,111
Available-for-sale investment		568	–
Prepaid lease payments		5,867	5,924
Interest in an associate		21,567	21,856
Convertible loan receivable	14	115,818	–
Pledged bank deposit		19,585	665
Advance	14	–	68,182
		220,927	369,003
Current assets			
Inventories		30,800	15,682
Amounts due from customers for contract work	15	3,135	16,935
Trade receivables	16	55,790	7,375
Prepayments, deposits and other receivables	17	98,235	13,436
Prepaid lease payments		120	125
Held-for-trading investments		2,395	1,539
Pledged bank deposit		2,808	2,808
Bank balances and cash		102,248	72,155
		295,531	130,055
Current liabilities			
Income received in advance		36,487	26,792
Amounts due to customers for contract work	15	1,023	1,763
Trade payables	18	29,447	6,874
Other payables and accruals		34,241	26,622
Amounts due to fellow subsidiaries		1,874	13,315
Amount due to an associate	19	20,874	–
Tax liabilities		3,000	967
Loan from a fellow subsidiary – due within one year		–	30,000
Secured bank borrowing – due within one year	20	14,773	14,773
		141,719	121,106
Net current assets		153,812	8,949
Net assets		374,739	377,952
Capital and reserves			
Issued capital	21	12,952	12,952
Retained earnings		21,466	31,075
Other reserves		260,970	261,004
		295,388	305,031
Equity attributable to owners of the Company		295,388	305,031
Share options reserve of a subsidiary		15,833	15,838
Minority interests		63,518	57,083
		374,739	377,952

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2009

	Issued capital HK\$'000	Share premium reserve HK\$'000	Capital contribution reserve HK\$'000	Contributed surplus reserve HK\$'000	Statutory reserve HK\$'000	Share options reserve HK\$'000	Exchange reserve HK\$'000	Special reserve HK\$'000	Attributable (Deficit) retained earnings HK\$'000	Share to owners of the Company HK\$'000	Share options reserve of a subsidiary HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 January 2008 (audited)	12,952	589,670	445	40,271	680	39,261	3,066	(46,366)	(281,943)	358,036	15,988	61,167	435,191
Exchange differences on translation of foreign operations	-	-	-	-	-	-	18,663	-	-	18,663	-	428	19,091
Loss for the period	-	-	-	-	-	-	-	-	(54,580)	(54,580)	-	(3,934)	(58,514)
Total comprehensive income for the period	-	-	-	-	-	-	18,663	-	(54,580)	(35,917)	-	(3,506)	(39,423)
Sub-total	12,952	589,670	445	40,271	680	39,261	21,729	(46,366)	(336,523)	322,119	15,988	57,661	395,768
Reduction of share premium reserve	-	(589,670)	-	589,670	-	-	-	-	-	-	-	-	-
Elimination of deficit	-	-	-	(384,060)	-	-	-	-	384,060	-	-	-	-
Cancellation of share options granted by a subsidiary	-	-	-	-	-	-	-	-	7	7	(7)	-	-
At 30 June 2008 (unaudited)	<u>12,952</u>	<u>-</u>	<u>445</u>	<u>245,881</u>	<u>680</u>	<u>39,261</u>	<u>21,729</u>	<u>(46,366)</u>	<u>47,544</u>	<u>322,126</u>	<u>15,981</u>	<u>57,661</u>	<u>395,768</u>
At 1 January 2009 (audited)	12,952	-	445	245,881	680	38,765	21,599	(46,366)	31,075	305,031	15,838	57,083	377,952
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(34)	-	-	(34)	-	(20)	(54)
(Loss) profit for the period	-	-	-	-	-	-	-	-	(9,614)	(9,614)	-	6,455	(3,159)
Total comprehensive income for the period	-	-	-	-	-	-	(34)	-	(9,614)	(9,648)	-	6,435	(3,213)
Sub-total	12,952	-	445	245,881	680	38,765	21,565	(46,366)	21,461	295,383	15,838	63,518	374,739
Cancellation of share options granted by a subsidiary	-	-	-	-	-	-	-	-	5	5	(5)	-	-
At 30 June 2009 (unaudited)	<u>12,952</u>	<u>-</u>	<u>445</u>	<u>245,881</u>	<u>680</u>	<u>38,765</u>	<u>21,565</u>	<u>(46,366)</u>	<u>21,466</u>	<u>295,388</u>	<u>15,833</u>	<u>63,518</u>	<u>374,739</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 30 JUNE 2009

	Six months ended 30 June	
	2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
Operating activities		
Loss before tax	(586)	(58,514)
Adjustments for:		
Amortisation of intangible asset	633	14,098
Allowance for (reversal of) doubtful debts	4,201	(230)
Allowance for inventories	3,324	–
Changes in fair value of held-for-trading investments	(856)	–
Gain on disposal of intangible asset	(2,543)	–
Other non-cash items	(54)	4,177
Operating cash flows before movements in working capital	4,119	(40,469)
Movements in working capital	(33,594)	(7,322)
Cash used in operations	(29,475)	(47,791)
Income taxes paid	(540)	(809)
Net cash used in operating activities	(30,015)	(48,600)
Investing activities		
Proceeds from disposal of intangible asset, net of transaction costs	168,703	–
Investment in a convertible loan receivable	(45,454)	–
Purchase of property, plant and equipment	(34,970)	(4,545)
(Increase) decrease in pledged bank deposits	(18,920)	4,992
Investment in an associate	–	(21,084)
Acquisition of intangible asset	–	(1,798)
Prepaid lease payments	–	(314)
Other investing cash flows	588	2,710
Net cash from (used in) investing activities	69,947	(20,039)
Financing activities		
Repayment of loan from a fellow subsidiary	(30,000)	–
Repayment of bank loan	(14,773)	(13,898)
Repayment of advance from other related party	–	(364)
Advance from an associate	20,874	–
New bank loan raised	14,773	14,773
Other financing cash flows	(668)	(885)
Net cash used in financing activities	(9,794)	(374)
Net increase (decrease) in cash and cash equivalents	30,138	(69,013)
Cash and cash equivalents at beginning of the period	72,155	210,377
Effect of foreign exchange rate changes	(45)	1,101
Cash and cash equivalents at end of the period	102,248	142,465

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIODS ENDED 30 JUNE 2009

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

2. SIGNIFICANT ACCOUNTING POLICIES

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

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

HKAS 1 (revised 2007) “Presentation of Financial Statements”

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

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

The Group has not early applied any new and revised standards, amendments or interpretations that have been issued but are not yet effective. The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent’s ownership interest in a subsidiary. The Directors anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. REVENUE

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

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

4. SEGMENT INFORMATION

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

Segment information about these businesses is presented below:

Six months ended 30 June 2009

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

Six months ended 30 June 2008

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

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

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

5. COST OF SALES

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

6. OTHER INCOME

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

- Interest income of approximately HK\$2,452,000 (Six months ended 30 June 2008: approximately HK\$1,657,000);
- Gain of approximately HK\$2,543,000 (Six months ended 30 June 2008: Nil) on disposal of intangible asset to China Film Group Corporation ("CFGK"), the majority shareholder of an associate of the Group at a consideration of RMB223,791,600 (equivalent to approximately HK\$254,227,000), of which RMB150,000,000 (equivalent to approximately HK\$170,455,000) has been settled during the period. The remaining balance is recognised as other receivable (see note 17) as at 30 June 2009. The disposal was approved by shareholders of the Company at the Special General Meeting on 17 February 2009. Details of the disposal were set out in the circular of the Company dated 23 January 2009; and
- Imputed interest income derived from the deferred consideration of the disposal of intangible asset of approximately HK\$2,062,000 (Six months ended 30 June 2008: Nil).

7. FINANCE COSTS

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

8. INCOME TAX EXPENSE

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

9. LOSS FOR THE PERIOD

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

10. DIVIDEND

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

11. LOSS PER SHARE

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

	Three months ended		Six months ended	
	30 June		30 June	
	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Loss				
Loss for the purposes of basic loss per share (loss for the period attributable to owners of the Company)	<u>(13,979)</u>	<u>(39,775)</u>	<u>(9,614)</u>	<u>(54,580)</u>
	'000	'000	'000	'000
Number of shares				
Weighted average number of ordinary shares for the purposes of basic loss per share	<u>1,295,246</u>	<u>1,295,246</u>	<u>1,295,246</u>	<u>1,295,246</u>

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

12. PROPERTY, PLANT AND EQUIPMENT

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

13. INTANGIBLE ASSET

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

14. CONVERTIBLE LOAN RECEIVABLE

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

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

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

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

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

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

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

16. TRADE RECEIVABLES

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

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

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

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

18. TRADE PAYABLES

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

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

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

19. AMOUNT DUE TO AN ASSOCIATE

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

20. SECURED BANK BORROWING

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

21. ISSUED CAPITAL

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

22. CAPITAL COMMITMENTS

30 June 2009 HK\$'000 (unaudited)	31 December 2008 HK\$'000 (audited)
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Capital expenditure contracted for but not provide in the condensed consolidated financial statements in respect of:

Acquisition of property, plant and equipment	<u>180,505</u>	<u>8,350</u>
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INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2009 (2008: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

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

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

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

Other income for the six months ended 30 June 2009 amounted to approximately HK\$8,281,000 (Six months ended 30 June 2008: HK\$2,176,000), representing an increase of approximately 281%. The increase was mainly due to the amount for this period included a gain of approximately HK\$2,543,000 on disposal of intangible asset to CFGC upon termination of the cooperation with CFGC for the deployment of digital cinema network in the PRC and the relevant imputed interest income derived from the deferred consideration of approximately HK\$2,062,000.

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

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

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

BUSINESS REVIEW AND OUTLOOK

Digital content distribution and exhibitions

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

The Group continues to market its products through participation in international trade exhibitions and high profile demonstration projects. In March 2009, the Group attended ShoWest 2009 with a strong line of product offerings which included an enhanced version of its best-selling digital cinema server, SA2100A, as well as its theatre management system, TMS1000. In April 2009, the Group also completed the integration of a 3D EQ technology to its digital cinema server. This new feature can significantly save the film distributors millions of dollars by adopting Digital Cinema Initiative (“DCI”) requirement of a single 3D DCP format for digital cinema distribution. Together with other products for digital cinema mastering, cinema digital signage and integrated projection system, the Group is capable of offering exhibitors an all-round digital cinema solution and developing products that aim at meeting more than the standard DCI specifications, and can differentiate its technology from its competitors.

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

Deployment of digital cinema network in Asia

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

CG creation and production

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

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

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

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

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

CG training

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

After completion of upgrading the existing training courses for the knowledge of CG production, on-line and other games, the Group has organised new professional training programmes for other areas, including after effects, virtual reality and case studies for animation to cope with the market needs. Besides, the Group continues to co-operate with famous high schools in the PRC for organising “Skill and Qualification” training programme to their students to achieve their aim to get “One Course, Several Certificates”, and to train up their practical skills to get ready for work immediately after graduation.

In addition to the Group’s training centres in Shanghai and Shenzhen and direct operation training sites in Chongqing and Wuxi, the Group set up a new direct operation training site in Guangzhou and plans to set up one more site in the North to cover all four corners of the PRC. At the same time, the Group will further develop its training network to those areas in the PRC with developed animation industry.

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

CAPITAL STRUCTURE

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

MATERIAL ACQUISITION, DISPOSALS AND SIGNIFICANT INVESTMENT

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

CHARGE ON ASSETS

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

FOREIGN EXCHANGE EXPOSURE

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

CONTINGENT LIABILITIES

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

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

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

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

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

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

EMPLOYEES

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

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

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

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

Name of Director	Name of entity whose businesses are considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entity which are considered to compete or likely to compete with the businesses of the Group	Nature of interest of the Director in the entity
Cao Zhong	Shougang Concord Grand (Group) Limited (“Shougang Grand”) (Note 1)	Cultural recreation content provision (Note 2)	Vice chairman and managing director
Chen Zheng	Shougang Grand (Note 1)	Cultural recreation content provision (Note 2)	Managing director of operations
Leung Shun Sang, Tony	Shougang Grand (Note 1)	Cultural recreation content provision (Note 2)	Director

Notes:

1. *Shougang Grand is the holding company of the Company which indirectly held approximately 52.57% interests in the Company as at 30 June 2009.*
2. *Such businesses may be carried out through the subsidiaries or associates of the entity concerned or by way of other forms of investments.*

The Board is independent from the board of the above-mentioned entity and is accountable to the Company's shareholders. Coupled with the diligence of its Independent Non-executive Directors whose views carry significant weight in the Board's decisions, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of this entity.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

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

REVIEW OF FINANCIAL RESULTS

The Company's Audit Committee and Auditor have reviewed the 2009 interim results of the Group.

APPRECIATION

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

By Order of the Board

Cao Zhong

Chairman

10 August 2009

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), Mr. Hui Hung, Stephen (Independent Non-executive Director) and Dr. Japhet Sebastian Law (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.