



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

(Incorporated in Bermuda with limited liability)

(Stock Code: 8271)

**THIRD QUARTERLY RESULTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009**

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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

THIRD QUARTERLY 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 nine months ended 30 September 2009 with comparative figures for the corresponding period in 2008.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the periods ended 30 September 2009

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

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

NOTES:

1. BASIS OF PREPARATION

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

2. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated statement of comprehensive income has been prepared under the historical cost convention, except for certain financial instruments that are measured at fair values.

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

HKAS 1 (revised in 2007) "Presentation of Financial Statements"
(effective for annual periods beginning on or after 1 January 2009)

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

The Group has not early applied any new and revised standards, amendments or interpretations that have been issued but are not yet effective. The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. The Directors 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		Nine months ended	
	30 September		30 September	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales of goods	71,543	21,861	197,965	30,988
Revenue from contracts for computer graphic ("CG") creation and production	19,951	13,383	40,953	24,681
Training fee	4,926	3,768	14,271	9,792
Technical service income	4,477	678	7,198	1,826
Receipts from exhibition of digital motion pictures	1,213	1,775	1,213	2,996
Rental income from equipment leasing	466	–	1,462	–
Royalty income from share of box office receipts	–	1,372	570	3,796
	<u>102,576</u>	<u>42,837</u>	<u>263,632</u>	<u>74,079</u>

4. COST OF SALES

Cost of sales for the nine months ended 30 September 2009 included amortisation of intangible asset, which represented the contractual rights to share a specified percentage of the box office receipts from certain cinemas in the People's Republic of China (the "PRC", for the purpose of this 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 (Nine months ended 30 September 2008: approximately HK\$21,354,000).

5. OTHER INCOME

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

- Interest income of approximately HK\$4,345,000 (Nine months ended 30 September 2008: approximately HK\$1,983,000);
- Gain of approximately HK\$2,543,000 (Nine months ended 30 September 2008: Nil) on disposal of intangible asset to China Film Group Corporation ("CFG"), the majority shareholder of an associate of the Group. The disposal was approved by shareholders of the Company at the Special General Meeting on 17 February 2009. Details of the disposal were set out in the circular of the Company dated 23 January 2009; and
- Imputed interest income derived from the deferred consideration of the disposal of intangible asset of approximately HK\$2,888,000 (Nine months ended 30 September 2008: Nil).

6. FINANCE COSTS

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

7. LOSS ON DILUTION OF INTEREST IN A SUBSIDIARY

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

8. INCOME TAX (EXPENSE) CREDIT

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

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

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

For the nine months ended 30 September 2008, no provision for PRC EIT had been made in the unaudited condensed consolidated statement of comprehensive income as the PRC subsidiaries were either exempted from PRC EIT or did not have assessable profits for that period. During that period, a PRC subsidiary was granted two years tax exemption for the financial years ended 2007 and 2008, a provision for PRC EIT of approximately HK\$2,246,000 made in 2007 was therefore reversed in the unaudited condensed consolidated statement of comprehensive income.

9. EARNINGS (LOSS) PER SHARE

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Earnings (loss)				
Earnings (loss) for the purposes of basic earnings (loss) per share (profit (loss) for the period attributable to owners of the Company)	<u>9,875</u>	<u>(2,488)</u>	<u>261</u>	<u>(57,068)</u>
	'000	'000	'000	'000
Number of shares				
Weighted average number of ordinary shares for the purposes of basic earnings (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 earnings per share has been calculated for the three months and nine months ended 30 September 2009 as the exercise prices of the share options were higher than the average market price for shares for the period.

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

10. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital	Share premium reserve	Capital contribution reserve	Contributed surplus reserve	Statutory reserve	Share options reserve	Exchange reserve	Special reserve	Retained earnings (deficit)	Attributable to owners of the Company	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 2009	<u>12,952</u>	<u>-</u>	<u>445</u>	<u>245,881</u>	<u>680</u>	<u>38,765</u>	<u>21,599</u>	<u>(46,366)</u>	<u>31,075</u>	<u>305,031</u>	<u>15,838</u>	<u>57,083</u>	<u>377,952</u>
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(34)	-	-	(34)	-	(20)	(54)
Profit for the period	-	-	-	-	-	-	-	-	261	261	-	10,210	10,471
Total comprehensive income for the period	-	-	-	-	-	-	(34)	-	261	227	-	10,190	10,417
Sub-total	<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>31,336</u>	<u>305,258</u>	<u>15,838</u>	<u>67,273</u>	<u>388,369</u>
Exercise of share options of a subsidiary	-	-	-	-	-	-	-	-	-	-	(6)	236	230
Cancellation of share options granted by a subsidiary	-	-	-	-	-	-	-	-	10,026	10,026	(10,026)	-	-
At 30 September 2009	<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>41,362</u>	<u>315,284</u>	<u>5,806</u>	<u>67,509</u>	<u>388,599</u>
At 1 January 2008	<u>12,952</u>	<u>589,670</u>	<u>445</u>	<u>40,271</u>	<u>680</u>	<u>39,261</u>	<u>3,066</u>	<u>(46,366)</u>	<u>(281,943)</u>	<u>358,036</u>	<u>15,988</u>	<u>61,167</u>	<u>435,191</u>
Exchange differences on translation of foreign operations	-	-	-	-	-	-	18,825	-	-	18,825	-	469	19,294
Loss for the period	-	-	-	-	-	-	-	-	(57,068)	(57,068)	-	(1,926)	(58,994)
Total comprehensive income for the period	-	-	-	-	-	-	18,825	-	(57,068)	(38,243)	-	(1,457)	(39,700)
Sub-total	<u>12,952</u>	<u>589,670</u>	<u>445</u>	<u>40,271</u>	<u>680</u>	<u>39,261</u>	<u>21,891</u>	<u>(46,366)</u>	<u>(339,011)</u>	<u>319,793</u>	<u>15,988</u>	<u>59,710</u>	<u>395,491</u>
Reduction of share premium reserve	-	(589,670)	-	589,670	-	-	-	-	-	-	-	-	-
Elimination of deficit	-	-	-	(384,060)	-	-	-	-	384,060	-	-	-	-
Cancellation of share options granted by a subsidiary	-	-	-	-	-	-	-	-	145	145	(145)	-	-
At 30 September 2008	<u>12,952</u>	<u>-</u>	<u>445</u>	<u>245,881</u>	<u>680</u>	<u>39,261</u>	<u>21,891</u>	<u>(46,366)</u>	<u>45,194</u>	<u>319,938</u>	<u>15,843</u>	<u>59,710</u>	<u>395,491</u>

INTERIM DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

Revenue for the nine months ended 30 September 2009 was approximately HK\$263,632,000, when compared with that of approximately HK\$74,079,000 for the corresponding period in the year 2008, represented an increase of approximately 256%. The increase was mainly attributable to increase in revenue from sales of goods and contracts for CG creation and production by approximately HK\$166,977,000 and HK\$16,272,000, respectively.

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

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

Other income for the nine months ended 30 September 2009 amounted to approximately HK\$10,875,000 (Nine months ended 30 September 2008: HK\$2,549,000), representing an increase of approximately 327%. The increase was mainly due to increase in interest income by approximately HK\$2,362,000, and the amount for this period included a gain of approximately HK\$2,543,000 on disposal of intangible asset to 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\$2,888,000.

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

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

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

BUSINESS REVIEW AND OUTLOOK

Digital content distribution and exhibitions

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

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

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

Deployment of digital cinema network in Asia

In Asia (outside of the PRC), the Group has reached separate non-exclusive virtual print fee (“VPF”) agreements with five of the six major Hollywood studios for digital cinema deployment, of which these studios are committed to supply Asian exhibitors with feature film content digitally, as well as to make financial contributions towards the hardware cost of DCI compliant digital cinema equipment deployed. This milestone signals the Group’s on-going commitment to Asian exhibitors as a trusted partner in digital conversion. At present, the Group has signed up with two major exhibitors in Hong Kong to participate in the VPF program and endeavors to sign up with more in the coming future.

CG creation and production

Despite the global economy downturn, increase in CG production orders made the CG creation and production division recorded revenue growth by approximately 52% to approximately HK\$42,166,000 for the nine months ended 30 September 2009 as compared with that of the corresponding period in the year 2008. During this period, there were seven CG production projects in progress, including films, DVD and television series, two of which has been completed and the other three were expected to be completed by end of this year. However, the Group was in discussion with one of the customers for adjustment on the completion deadline and content of an individual project, and made some allowance during this period due to this uncertainty. Nevertheless, revenue generated from this division is still expected to be more than last year.

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

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

CG training

CG training division continued to serve as a core component of its strategy towards professionalism and strengthening of the training materials, recorded nearly 100% employment of the graduates continuously for several classes, and received more support from the PRC government. This division is able to achieve an “Upstream” result under the financial crisis and recorded steady growth in revenue of approximately 46% for the nine months ended 30 September 2009 when compared with that of the corresponding period in the year 2008.

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

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

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.

REVIEW OF FINANCIAL RESULTS

The Company's Audit Committee has reviewed the 2009 third quarterly 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

9 November 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), 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.