



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)

FIRST QUARTERLY REPORT
2012

* 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
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*)
Prof. Japhet Sebastian Law

Nomination Committee

Mr. Li Shaofeng (*Chairman*)
Mr. Leung Shun Sang, Tony (*Vice Chairman*)
Mr. Kwong Che Keung, Gordon
Prof. Japhet Sebastian Law

Remuneration Committee

Prof. Japhet Sebastian Law (*Chairman*)
Mr. Li Shaofeng (*Vice Chairman*)
Mr. Leung Shun Sang, Tony
Mr. Kwong Che Keung, Gordon

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 Share Registrar and Transfer Office	HSBC Securities Services (Bermuda) Limited 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

FIRST QUARTERLY RESULTS

The board of Directors of the Company (the “Board”) hereby reports the unaudited condensed consolidated financial results of the Company and its subsidiaries (the “Group”) for the three months ended 31 March 2012 with comparative figures for the corresponding period in the year 2011.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2012

		Three months ended 31 March	
	<i>NOTES</i>	2012 HK\$'000	2011 HK\$'000 (Restated)
Continuing operations			
Revenue	3	19,429	8,763
Cost of sales		<u>(13,957)</u>	<u>(10,000)</u>
Gross profit (loss)		5,472	(1,237)
Other income and gains	4	4,765	968
Distribution costs and selling expenses		(1,504)	(2,234)
Administrative expenses		(16,633)	(12,511)
Finance costs	5	(2,993)	(2,492)
Changes in fair value of held-for-trading investments		(4,431)	(526)
Share of loss of an associate		<u>—</u>	<u>(35)</u>
Loss before tax		(15,324)	(18,067)
Income tax expense	6	<u>—</u>	<u>(36)</u>
Loss for the period from continuing operations		(15,324)	(18,103)
Discontinued operations			
Profit for the period from discontinued operations	7	<u>—</u>	<u>33,563</u>
(Loss) profit for the period		(15,324)	15,460
Other comprehensive income:			
Exchange differences arising on translation of foreign operations		<u>—</u>	<u>3,722</u>
Total comprehensive (expense) income for the period		(15,324)	19,182

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

For the three months ended 31 March 2012

	NOTE	Three months ended 31 March 2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i> (Restated)
(Loss) profit for the period attributable to:			
Owners of the Company			
– Loss for the period from continuing operations		(14,270)	(17,689)
– Profit for the period from discontinued operations		–	21,149
		<u>(14,270)</u>	<u>3,460</u>
Non-controlling interests			
– Loss for the period from continuing operations		(1,054)	(414)
– Profit for the period from discontinued operations		–	12,414
		<u>(1,054)</u>	<u>12,000</u>
		<u>(15,324)</u>	<u>15,460</u>
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		(14,270)	6,348
Non-controlling interests		(1,054)	12,834
		<u>(15,324)</u>	<u>19,182</u>
		<i>HK cents</i>	<i>HK cents</i>
(Loss) earnings per share	8		
<i>From continuing and discontinued operations</i>			
Basic and diluted		<u>(0.94)</u>	<u>0.27</u>
<i>From continuing operations</i>			
Basic and diluted		<u>(0.94)</u>	<u>(1.37)</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. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated statement of comprehensive income has been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies and methods of computation used in the unaudited condensed consolidated statement of comprehensive income for the three months ended 31 March 2012 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

In the current period, the Group has applied, for the first time, a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for the financial year beginning on 1 January 2012. The application of these new and revised HKFRSs in the current period had no material effect on the unaudited condensed consolidated statement of comprehensive income.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

Amendments to HKFRS 1	Government Loans ²
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities ²
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ⁴
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosure of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income ¹
HKAS 19 (Revised 2011)	Employee Benefits ²
HKAS 27 (Revised 2011)	Separate Financial Statements ²
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures ²
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ³
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine ²

¹ Effective for annual periods beginning on or after 1 July 2012.

² Effective for annual periods beginning on or after 1 January 2013.

³ Effective for annual periods beginning on or after 1 January 2014.

⁴ Effective for annual periods beginning on or after 1 January 2015.

3. REVENUE

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

	Three months ended 31 March	
	2012	2011
	HK\$'000	HK\$'000
Revenue from contracts for computer graphic creation and production	8,298	4,500
Rental income	6,944	192
Training fee	4,187	4,071
	19,429	8,763

4. OTHER INCOME AND GAINS

	Three months ended 31 March	
	2012	2011
	HK\$'000	HK\$'000
<i>Continuing operations</i>		
Government grants	2,804	299
Interest income	1,854	229
Others	107	440
	4,765	968

5. FINANCE COSTS

	Three months ended 31 March	
	2012	2011
	HK\$'000	HK\$'000
<i>Continuing operations</i>		
Interest on:		
Bank borrowing		
– wholly repayable within five years	2,993	–
– not wholly repayable within five years	–	2,492
	2,993	2,492

6. INCOMETAX EXPENSE

	Three months ended	
	31 March	
	2012	2011
	HK\$'000	HK\$'000
Continuing operations		
Current Tax:		
PRC Enterprise Income Tax ("EIT")	—	36

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

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 the Group's subsidiaries in the People's Republic of China (the "PRC", for the purpose of this report, does not include Hong Kong, Macau and Taiwan) 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 three months ended 31 March 2012, the relevant tax rates for the Group's subsidiaries in the PRC were 25% (2011: 24% to 25%).

7. DISCONTINUED OPERATIONS

On 8 July 2011, the Company, GDC Holdings Limited ("GDC Holdings"), a wholly-owned subsidiary of the Company, and CAG Digital Investment Holdings Limited (the "Purchaser"), an affiliate of The Carlyle Group, entered into a disposal agreement, pursuant to which the Purchaser has conditionally agreed to purchase 80% of the issued share capital of GDC Technology Limited ("GDC Tech"), a non-wholly owned subsidiary of GDC Holdings, and 100% of the issued share capital of GDC Digital Cinema Network Limited ("GDC DCN"), a wholly-owned subsidiary of GDC Holdings, in which GDC Holdings is required to procure 80% of the issued share capital of GDC Tech to be sold (the "Disposal").

The Disposal was completed on 6 September 2011. The Group received a consideration for the Disposal of approximately HK\$347,547,000. The Group now holds approximately 11.93% of the issued share capital of GDC Tech and does not hold any interest in GDC DCN. Accordingly, the two operating segments, namely digital content distribution and exhibitions and deployment of digital cinema network run by GDC Tech Group and GDC DCN Group, were considered as discontinued operations since 6 September 2011.

Details of the Disposal are set out in the announcements of the Company dated 11 July 2011 and 7 September 2011 and the circular of the Company dated 17 August 2011.

7. DISCONTINUED OPERATIONS (Continued)

The combined results of the discontinued operations for the three months ended 31 March 2011 were as follows:

	HK\$'000
Revenue	125,500
Cost of sales	<u>(62,716)</u>
Gross profit	62,784
Other income and gains	759
Distribution costs and selling expenses	(5,789)
Administrative expenses	(15,575)
Finance costs	(105)
Research and development costs	<u>(2,147)</u>
Profit before tax	39,927
Income tax expense	<u>(6,364)</u>
Profit from discontinued operations	<u>33,563</u>

8. (LOSS) EARNINGS PER SHARE

From continuing and discontinued operations

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

	Three months ended	
	31 March	
	2012	2011
	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 owners of the Company)	<u>(14,270)</u>	<u>3,460</u>
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	1,518,256	1,295,256
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	<u>–</u>	<u>3,339</u>
Weighted average number of ordinary shares for the purposes of diluted (loss) earnings per share	<u>1,518,256</u>	<u>1,298,595</u>

8. (LOSS) EARNINGS PER SHARE (Continued)

From continuing and discontinued operations (continued)

The effect of incremental shares from assumed exercise of share options have been excluded from calculation of the diluted loss per share from continuing and discontinued operations for the three months ended 31 March 2012 because their assumed exercise would result in decrease in loss per share from continuing and discontinued operations.

From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to owners of the Company is based on the following data:

	Three months ended	
	31 March	
	2012	2011
	HK\$'000	HK\$'000
Loss		
Loss for the purposes of basic and diluted loss per share (loss for the period from continuing operations attributable to owners of the Company)	<u>(14,270)</u>	<u>(17,689)</u>
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u>1,518,256</u>	<u>1,295,256</u>

The effect of incremental shares from assumed exercise of share options have been excluded from calculation of the diluted loss per share from continuing operations for the three months ended 31 March 2011 and 2012 because their assumed exercise would result in decrease in loss per share from continuing operations.

9. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium reserve	Capital contribution reserve	Contributed surplus reserve	Statutory reserve	Share options reserve	Exchange reserve	Special reserve	Retained earnings	Attributable to owners of the Company	Non-controlling 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
At 1 January 2012	15,183	75,856	445	245,881	680	40,890	44,568	-	409,595	833,098	25,355	858,453
Loss for the period and total comprehensive expense for the period	-	-	-	-	-	-	-	-	(14,270)	(14,270)	(1,054)	(15,324)
Subtotal	15,183	75,856	445	245,881	680	40,890	44,568	-	395,325	818,828	24,301	843,129
Lapse of share options granted	-	-	-	-	-	(107)	-	-	107	-	-	-
At 31 March 2012	15,183	75,856	445	245,881	680	40,783	44,568	-	395,432	818,828	24,301	843,129
At 1 January 2011	12,953	36	445	245,881	6,362	41,104	31,659	(42,140)	97,478	383,778	176,612	570,390
Profit for the period	-	-	-	-	-	-	-	-	3,460	3,460	12,000	15,460
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	2,888	-	-	2,888	834	3,722
Total comprehensive income for the period	-	-	-	-	-	-	2,888	-	3,460	6,348	12,834	19,182
At 31 March 2011	12,953	36	445	245,881	6,362	41,104	34,547	(42,140)	100,938	400,126	189,446	589,572

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2012 (Three months ended 31 March 2011: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

Revenue from continuing operations for the three months ended 31 March 2012 was HK\$19,429,000, when compared with that of HK\$8,763,000 for the corresponding period in the year 2011, representing an increase of 122%. The significant increase was mainly attributable to an increase in rental income and revenue from contracts for computer graphic ("CG") creation and production by HK\$6,752,000 and HK\$3,798,000 respectively.

Cost of sales from continuing operations for the three months ended 31 March 2012 amounted to HK\$13,957,000, when compared with that of HK\$10,000,000 for the corresponding period in the year 2011, representing an increase of 40%. The increase was mainly due to the depreciation amounting to HK\$2,471,000 for the Shenzhen headquarters building which started to generate the rental income for the Group since the second quarter of year 2011.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL OVERVIEW *(Continued)*

The Group recorded a gross profit from continuing operations of HK\$5,472,000 for the three months ended 31 March 2012 as compared with the gross loss of HK\$1,237,000 for the corresponding period in the year 2011. The Group's gross profit margin of continuing operations for the three months ended 31 March 2012 amounted to 28% (Three months ended 31 March 2011: gross loss of 14%). The significant improvement in gross profit margin was mainly attributable to the increase in rental income and the fact that the Group worked on more CG production projects with higher profit margin.

Other income and gains from continuing operations for the three months ended 31 March 2012 amounted to HK\$4,765,000 (Three months ended 31 March 2011: HK\$968,000), representing an increase of 392%. The increase was mainly due to increase in government grants and interest income by HK\$2,505,000 and HK\$1,625,000 respectively.

Distribution costs and selling expenses from continuing operations for the three months ended 31 March 2012 amounted to HK\$1,504,000 (Three months ended 31 March 2011: HK\$2,234,000), representing a decrease of HK\$730,000. The decrease was mainly due to decrease in the marketing expense spent during the period.

Administrative expenses of continuing operations for the three months ended 31 March 2012 amounted to HK\$16,633,000 (Three months ended 31 March 2011: HK\$12,511,000), representing an increase of 33%. The increase was mainly due to higher staff costs as a result of the growth in the scale of operations of the Group.

Finance costs for continuing operations for the three months ended 31 March 2012 of HK\$2,993,000 (Three months ended 31 March 2011: HK\$2,492,000) mainly included interest on bank borrowing for the construction of the headquarters building in Shenzhen that was not eligible for capitalisation after the completion of the construction.

The Group recorded changes in fair value of held-for-trading investments for the three months ended 31 March 2012 of HK\$4,431,000 (Three months ended 31 March 2011: HK\$526,000), representing an increase of HK\$3,905,000. The expense was due to the decrease in market price of the held-for-trading investments during the period.

Overall, the Group recorded loss attributable to owners of the Company of HK\$14,270,000 for the three months ended 31 March 2012, as compared with the profit attributable to owners of the Company of HK\$3,460,000 for the corresponding period in the year 2011. In the corresponding period in year 2011, profit attributable to owners of the Company included HK\$21,149,000 contributed by the Group's digital content distribution and exhibitions and deployment of digital cinema network operations, which have been discontinued following the disposal of such business by the Group in September 2011.

Basic and diluted loss per share from continuing and discontinued operations for the three months ended 31 March 2012 amounted to HK cents 0.94 (Basic and diluted earnings per share for the three months ended 31 March 2011: HK cents 0.27). Basic and diluted loss per share from continuing operations for the three months ended 31 March 2012 amounted to HK cents 0.94 (Three months ended 31 March 2011: HK cents 1.37), representing a decrease of 31% when compared with that for the corresponding period in the year 2011.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW AND OUTLOOK

CG creation and production

For the three months ended 31 March 2012, revenue from CG creation and production division was HK\$15,087,000, representing a significant increase of HK\$10,587,000 when compared with that of HK\$4,500,000 for the corresponding period in the year 2011. The increase comprised increase in rental income and revenue from contracts from computer graphic creation and production by HK\$6,789,000 and HK\$3,798,000 respectively.

The Group currently has three CG production projects in progress from European customers and there are several co-production projects and service projects with completed tests or under commercial negotiations, three of which are from North America and Europe and are expected to commence production in the second and third quarters of the year 2012. A string of projects produced by the Group in the recent years have been launched on major European and American entertainment media and are highly appreciated by customers and the industry. While constantly providing quality products and services to its customers, the Group will improve financial control and productivity to address the challenges from exchange rate fluctuations and the hiking labour costs in a bid to boost its business performance.

The Group's diversification into intellectual property investment has achieved a preliminary success. One 3D-animated film is about to be publicly released in the PRC in the second quarter of 2012. One CG-animated television series has also commenced domestic and overseas distribution while certain countries and regions have confirmed their purchases. In addition, the Group has initiated the planning of new intellectual property animation projects, including certain projects which have started production of trailers or negotiations on cooperation with several companies showing interests, and intends to expand to the animation related businesses.

In view of the broadening applications of CG creation and production and the growing relevant businesses in the PRC, the Group made adjustment and consolidation of its production business. The subsidiaries in Chongqing have ceased operations, and two new subsidiaries have been established respectively in Beijing and Shenzhen to expand new businesses. After completing a creative production project on a large theme park in Shenzhen last year, the Group has started production of another new project in April with certain projects currently in negotiations.

In March 2012, the Group's subsidiary, Institute of Digital Media Technology (Shenzhen) Limited was named the "Top 10 Competitive Service Providers and Traders in Shenzhen".

CG training

The CG training division made steady business expansion in the first quarter of 2012. With the recovery of the market, the recruitment made exceptional progress with notable growths both in recruitment hotline enquires and enrolments compared to the same periods in the previous two years. While aggressively securing recruitment, the CG training division exercised strict control over the quality of education to hone the professional capability of graduates. The CG training division maintains long-term talent output cooperation with plenty of domestic production enterprises, thus improving employment rate of students after graduation and building up a sound training brand image.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW AND OUTLOOK *(Continued)*

CG training (Continued)

The CG training division is attempting to join forces with film and animation producers and game developers to provide specially tailored training courses targeting their on-post requirements, so as to further shorten students' time to get started in their career and expand the capacity of employers.

In addition, the Group continues to cooperate with colleges in the PRC to organise "Training on Campus" and "Skills and Qualifications" training programmes for their students in achieving "One Course, Multiple Certifications" and preparing for immediate employment after graduation.

Cultural park

The redevelopment project of Phase I of the Pearl River Film Cultural Park was smoothly roofed in late 2011, and has commenced equipment installation and decorations. With the smooth progress of business promotion for the Phase I of the project, the Group has entered into letters of intents of lease with a number of renowned domestic and foreign brands, which are expected to forge the cultural park as a fashion lifestyle centre with strong atmosphere of Guangzhou culture in line with its overall positioning.

The redevelopment of other phases of the Pearl River Film Cultural Park has also proceeded well in approval procedures, with interim approvals obtained from relevant regulatory authorities of the PRC. Meanwhile, the Group has commenced concept designs with several renowned architects, commercial consultants and property management companies for the redevelopment of other phases of the Pearl River Film Cultural Park. The redeveloped Pearl River Film Cultural Park includes, subject to approval, a commercial complex comprising cinema, shops, restaurants and recreational zones, and a new multi-storey office tower.

Given the prime location of the Pearl River Film Cultural Park, the urban redevelopment policy in Guangzhou, the rapid economic growth and the booming retail and recreation market in the PRC, the Group is of the view that the whole redevelopment of the Pearl River Film Cultural Park will bring sustainable and steady income growth to the Group and improve its profitability. It provides a good opportunity for the Group to tap into the media entertainment and cultural consumption property development businesses in the PRC which have been growing rapidly.

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 three months ended 31 March 2012.

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

As at 31 March 2012, 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:

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			Approximate percentage of issued share capital of the Company
		Interests in shares	Interests under equity derivatives*	Total interests	
Mr. Li Shaofeng	Beneficial owner	-	12,950,000	12,950,000	0.85%
Mr. Chen Zheng	Beneficial owner	208,728,200	11,360,000	220,088,200	14.50%
Mr. Jin Guo Ping	Beneficial owner	-	2,590,000	2,590,000	0.17%
Mr. Leung Shun Sang, Tony	Beneficial owner	30,008,200	11,370,000	41,378,200	2.73%
Mr. Kwong Che Keung, Gordon	Beneficial owner	10,800,820	1,780,000	12,580,820	0.83%
Prof. Japhet Sebastian Law	Beneficial owner	3,000,000	1,290,000	4,290,000	0.28%

* The relevant interests are unlisted physically settled options granted pursuant to the Company's share option scheme adopted on 18 July 2003 (the "Share Option Scheme"). Upon exercise of the share options in accordance with the Share Option 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 "Share Option Scheme" section.

Save as disclosed above, as at 31 March 2012, none of the Directors, chief executives of the Company or their respective associates had any interests or short positions in any 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 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.

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 three months ended 31 March 2012 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 31 March 2012, 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

<u>Name of shareholder</u>	<u>Capacity in which interests are held</u>	<u>Number of shares held in the Company</u>	<u>Approximate percentage of total issued share capital of the Company</u>
Shougang Holding (Hong Kong) Limited ("Shougang Holding")	Interests of controlled corporations	619,168,023 (Note)	40.78%
Wheeling Holdings Limited ("Wheeling")	Interests of controlled corporations	619,168,023 (Note)	40.78%
Shougang Concord Grand (Group) Limited ("Shougang Grand")	Interests of controlled corporations	619,168,023 (Note)	40.78%
Upper Nice Assets Ltd. ("Upper Nice")	Beneficial owner	619,168,023 (Note)	40.78%

Note: Upper Nice is an indirect wholly-owned subsidiary of Shougang Grand. Shougang Grand was held as to approximately 37.36% by Wheeling, a wholly-owned subsidiary of Shougang Holding. Accordingly, all these corporation are deemed to be interested in the shares capital of the Company which Upper Nice is interested under the SFO.

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Save as disclosed above, as at 31 March 2012, the Company has not been notified of any other person or corporations (other than the Directors and chief executive(s) of the Company) who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

On 18 July 2003, the share option scheme of the Company (the "Share Option 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 or exercised in accordance with the terms of the Share Option Scheme during the three months ended 31 March 2012. Details of the share options under the Share Option Scheme during the period are as follows:

Category or name of grantees	Number of shares options to subscribe for shares of the Company						Balance as at 31.03.2012	Date of grant	Exercise period	Exercise price per share
	Balance as at 01.01.2012	Transferred to other category during the period	Transferred from other category during the period	Exercised during the period	Lapsed during the period					
Directors										
Mr. Li Shaofeng	12,950,000	-	-	-	-	12,950,000	14.12.2010	14.12.2010-03.08.2013	HK\$0.87	
Mr. Chen Zheng	4,890,000	-	-	-	-	4,890,000	30.10.2007	30.10.2007-29.10.2012	HK\$2.75	
	6,470,000	-	-	-	-	6,470,000	14.12.2010	14.12.2010-03.08.2013	HK\$0.87	
	11,360,000	-	-	-	-	11,360,000				
Mr. Jin Guo Ping	2,590,000	-	-	-	-	2,590,000	14.12.2010	14.12.2010-03.08.2013	HK\$0.87	
Mr. Leung Shun Sang, Tony	4,900,000	-	-	-	-	4,900,000	30.10.2007	30.10.2007-29.10.2012	HK\$2.75	
	6,470,000	-	-	-	-	6,470,000	14.12.2010	14.12.2010-03.08.2013	HK\$0.87	
	11,370,000	-	-	-	-	11,370,000				
Mr. Kwong Che Keung, Gordon	490,000	-	-	-	-	490,000	30.10.2007	30.10.2007-29.10.2012	HK\$2.75	
	1,290,000	-	-	-	-	1,290,000	14.12.2010	14.12.2010-03.08.2013	HK\$0.87	
	1,780,000	-	-	-	-	1,780,000				
Prof. Japhet Sebastian Law	1,290,000	-	-	-	-	1,290,000	14.12.2010	14.12.2010-03.08.2013	HK\$0.87	
Mr. Hui Hung, Stephen	490,000	(490,000) ¹	-	-	-	-	30.10.2007	30.10.2007-29.10.2012	HK\$2.75	
	1,290,000	(1,290,000) ¹	-	-	-	-	14.12.2010	14.12.2010-03.08.2013	HK\$0.87	
	1,780,000	(1,780,000)	-	-	-	-				
	43,120,000	(1,780,000)	-	-	-	41,340,000				
Employees of the Group	9,900,000	(9,900,000) ²	-	-	-	-	30.10.2007	30.10.2007-29.10.2012	HK\$2.75	
	24,700,000	(7,650,000) ³	-	-	-	17,050,000	14.12.2010	14.12.2010-03.08.2013	HK\$0.87	
	34,600,000	(17,550,000)	-	-	-	17,050,000				
Other participants	4,900,000	-	10,390,000	-	-	15,290,000	30.10.2007	30.10.2007-29.10.2012	HK\$2.75	
	400,000	-	8,940,000	-	(400,000) ⁴	8,940,000	14.12.2010	14.12.2010-03.08.2013	HK\$0.87	
	5,300,000	-	19,330,000	-	(400,000)	24,230,000				
	83,020,000	(19,330,000)	19,330,000	-	(400,000)	82,620,000				

SHARE OPTION SCHEME *(Continued)*

Note:

- 1) *Such share options were re-classified to the category of "Other Participants" upon the grantee ceased to be the director of the Company during the three months ended 31 March 2012. According to the Share Option Scheme, such share options will be lapsed on the expiry of the three months period following the date of cessation as director of the Company.*
- 2) *Such share options were re-classified to the category of "Other Participants" upon those grantees ceased to be the employees of the Group during the three months ended 31 March 2012.*
- 3) *1,400,000 share options will be lapsed on the expiry of the three months period following the date of cessation as employees of the Group and 6,250,000 share options are re-classified to the category of "Other Participants" during the three months ended 31 March 2012.*
- 4) *Such share options were lapsed on 1 January 2012 according to the Share Option Scheme.*

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the three months ended 31 March 2012, none of the Directors had an interest in a business (other than those businesses where the Director 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 businesses of the Group.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of Corporate Governance Code set out in Appendix 15 of the GEM Listing Rules throughout the three months ended 31 March 2012.

COMPLIANCE WITH CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of provisions of conduct regarding securities transactions by the Directors 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. Having made specific enquiries with the Directors, all Directors confirmed that they have complied with such code of conduct and the required standard of dealings regarding securities transactions by the Directors throughout the three months ended 31 March 2012.

AUDIT COMMITTEE

The Group's first quarterly results for the three months ended 31 March 2012 were unaudited. The Company's audit committee (the "Audit Committee") has reviewed the 2012 unaudited first quarterly results of the Group. A meeting of the Audit Committee was held with the management of the Company for, amongst other things, reviewing the unaudited first quarterly results of the Group for the three months ended 31 March 2012.

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 of the Directors, management and staff for their hard work and dedication throughout the period.

By Order of the Board

Li Shaofeng

Chairman

Hong Kong, 8 May 2012