



環球數碼

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  
2013

\* For identification purpose only

## **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 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 (*Chief Executive Officer*)  
Mr. Jin Guo Ping (*Vice President*)

### Non-executive Director

Mr. Leung Shun Sang, Tony

### Independent non-executive Directors

Mr. Kwong Che Keung, Gordon  
Prof. Japhet Sebastian Law  
Mr. Chan Chung Chun

### 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  
Mr. Chan Chung Chun

### Nomination Committee

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

### Remuneration Committee

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

### Compliance Officer

Mr. Chen Zheng

### Company Secretary

Ms. Kam Man Yi, Margaret

## CORPORATE INFORMATION *(Continued)*

<b>Authorised Representatives</b>	Mr. Chen Zheng Ms. Kam Man Yi, Margaret
<b>Auditor</b>	Deloitte Touche Tohmatsu
<b>Bermuda Principal Share Registrar and Transfer Office</b>	HSBC Securities Services (Bermuda) Limited 6 Front Street Hamilton HM 11 Bermuda
<b>Hong Kong Branch Share Registrar and Transfer Office</b>	Tricor Standard Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
<b>Registered Office</b>	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
<b>Head Office and Principal Place of Business in Hong Kong</b>	Unit 1-7, 20/F., Kodak House II 39 Healthy Street East North Point Hong Kong
<b>Stock Code</b>	8271
<b>Website</b>	<a href="http://www.gdc-world.com">www.gdc-world.com</a>

## FIRST QUARTERLY RESULTS

The board of Directors of the Company (the "Board") is pleased to report the unaudited condensed consolidated financial results of the Company and its subsidiaries (the "Group") for the three months ended 31 March 2013 with comparative figures for the corresponding period in the year 2012.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2013

	NOTES	Three months ended 31 March 2013 HK\$'000	2012 HK\$'000
Revenue	3	28,666	19,429
Cost of sales		(20,437)	(13,957)
Gross profit		8,229	5,472
Other income	4	23,556	4,765
Distribution costs and selling expenses		(2,444)	(1,504)
Administrative expenses		(16,035)	(16,633)
Finance costs	5	(2,374)	(2,993)
Changes in fair value of held-for-trading investments		(492)	(4,431)
Profit (loss) before tax		10,440	(15,324)
Income tax expense	6	(452)	-
Profit (loss) and total comprehensive income (expense) for the period		9,988	(15,324)
Profit (loss) and total comprehensive income (expense) for the period attributable to:			
Owners of the Company		12,854	(14,270)
Non-controlling interests		(2,866)	(1,054)
		9,988	(15,324)
		HK cents	HK cents
Earnings (loss) per share:	7		
Basic and diluted		0.85	(0.94)

## 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 2013 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

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 2013. 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 HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle <sup>1</sup>
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities <sup>1</sup>
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>3</sup>
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance <sup>1</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities <sup>2</sup>
HKFRS 9	Financial Instruments <sup>3</sup>
HKFRS 10	Consolidated Financial Statements <sup>1</sup>
HKFRS 11	Joint Arrangements <sup>1</sup>
HKFRS 12	Disclosure of Interests in Other Entities <sup>1</sup>
HKFRS 13	Fair Value Measurement <sup>1</sup>
HKAS 19 (as revised in 2011)	Employee Benefits <sup>1</sup>
HKAS 27 (as revised in 2011)	Separate Financial Statements <sup>1</sup>
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures <sup>1</sup>
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income <sup>4</sup>
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities <sup>2</sup>
HK (IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2013.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2014.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2015.

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2012.

### 3. REVENUE

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

	Three months ended 31 March	
	2013	2012
	HK\$'000	HK\$'000
Revenue from contracts for computer graphic ("CG") creation and production	15,983	8,298
Rental and management fee income	8,916	6,944
CG training fee	3,767	4,187
	<u>28,666</u>	<u>19,429</u>

### 4. OTHER INCOME

	Three months ended 31 March	
	2013	2012
	HK\$'000	HK\$'000
Dividend income from available-for-sale investment	6,911	–
Government grants	8,153	2,804
Interest income	3,550	1,854
Compensation income	4,750	–
Others	192	107
	<u>23,556</u>	<u>4,765</u>

### 5. FINANCE COSTS

	Three months ended 31 March	
	2013	2012
	HK\$'000	HK\$'000
Interest on bank borrowings wholly repayable within five years	2,374	2,993

## 6. INCOME TAX EXPENSE

	Three months ended 31 March	
	2013	2012
	HK\$'000	HK\$'000
PRC Enterprise Income Tax ("EIT")		
Current Tax	<u>452</u>	<u>–</u>

No provision for Hong Kong Profits Tax has been made in the unaudited condensed consolidated statement of comprehensive income for both years as the Group had no assessable profit 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 ("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), the PRC subsidiaries are entitled to a tax concession as a foreign investment enterprise, whereby their applicable tax rate will progressively increase to 25% over a five-year transitional period from 1 January 2008 to 31 December 2012. 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. According to the Circular of State Council for the Enterprise income tax policies on the advanced technology service enterprise ("ATSE") (Caishui [2010] No.65), one of the PRC subsidiaries is able to enjoy a preferential tax rate at 15% from 1 July 2010 to 31 December 2013 as it is qualified as ATSE. For the three months ended 31 March 2013, the relevant tax rates for the Group's subsidiaries in the PRC ranged from 15% to 25% (2012: 15% to 25%).

## 7. EARNINGS (LOSS) PER SHARE

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

	Three months ended 31 March	
	2013	2012
	HK\$'000	HK\$'000
<b>Earnings (loss)</b>		
Earnings (loss) for the purposes of basic and diluted earnings (loss) per share (Profit (loss) for the period attributable to owners of the Company)	<u>12,854</u>	<u>(14,270)</u>
	'000	'000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings (loss) per share	<u>1,518,256</u>	<u>1,518,256</u>

## 7. EARNINGS (LOSS) PER SHARE (Continued)

The computation of diluted earnings per share for the three months ended 31 March 2013 does not assume the exercises of the Company's share options as the exercise prices of the share options were higher than the average market price of the share for the three months ended 31 March 2013.

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

## 8. 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 2013	15,183	75,856	445	245,881	680	16,895	55,489	39	494,053	904,521	54,971	959,492
Profit (loss) and total comprehensive income (expense) for the period	-	-	-	-	-	-	-	-	12,854	12,854	(2,866)	9,988
Subtotal	15,183	75,856	445	245,881	680	16,895	55,489	39	506,907	917,375	52,105	969,480
Lapse of share options granted	-	-	-	-	-	(107)	-	-	107	-	-	-
At 31 March 2013	15,183	75,856	445	245,881	680	16,788	55,489	39	507,014	917,375	52,105	969,480
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 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

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2013. (Three months ended 31 March 2012: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL OVERVIEW

Revenue for the three months ended 31 March 2013 was HK\$28,666,000, when compared with that of HK\$19,429,000 for the corresponding period in the year 2012, representing an increase of 48%. The significant increase was mainly attributable to an increase in revenue from CG creation and production division and rental and management fee income by HK\$7,685,000 and HK\$1,972,000 respectively.

Cost of sales for the three months ended 31 March 2013 amounted to HK\$20,437,000, when compared with that of HK\$13,957,000 for the corresponding period in the year 2012, representing an increase of 46%. The increase was mainly due to more CG production costs incurred in line with the increase in revenue.

The Group recorded a gross profit of HK\$8,229,000 for the three months ended 31 March 2013, when compared with that of HK\$5,472,000 for the corresponding period in the year 2012, representing an increase of 50%. The Group's gross profit margin for the three months ended 31 March 2013 amounted to 29% (Three months ended 31 March 2012: 28%). The 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 a higher profit margin.

Other income for the three months ended 31 March 2013 amounted to HK\$23,556,000 (Three months ended 31 March 2012: HK\$4,765,000), representing an increase of 394%. The increase was mainly due to dividend income of HK\$6,911,000, an increase in government grants by HK\$5,349,000 and a sum of HK\$4,750,000 received in settlement of a dispute in relation to hacking activities targeting our PRC online training enrolment website during the period from September 2011 to November 2012.

Distribution costs and selling expenses for the three months ended 31 March 2013 amounted to HK\$2,444,000 (Three months ended 31 March 2012: HK\$1,504,000), representing an increase of HK\$940,000. The increase was mainly due to an increase in marketing expense spent on the Pearl River Film Cultural Park.

Administrative expenses for the three months ended 31 March 2013 amounted to HK\$16,035,000 (Three months ended 31 March 2012: HK\$16,633,000), representing a decrease of 4%. The decrease was mainly attributable to the improvement in cost control by the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### FINANCIAL OVERVIEW *(Continued)*

Finance costs for the three months ended 31 March 2013 was HK\$2,374,000 (Three months ended 31 March 2012: HK\$2,993,000) being interest on bank borrowings for the construction of the headquarters building in Shenzhen. The decrease was resulted from a lower interest rate and a repayment of bank borrowings during the period.

The Group recorded change in fair value of held-for-trading investments for the three months ended 31 March 2013 of HK\$492,000 (Three months ended 31 March 2012: HK\$4,431,000), representing a decrease of HK\$3,939,000. The loss was due to a decrease in market price of the held-for-trading investments during the period.

Overall, the Group recorded a profit of HK\$12,854,000 for the three months ended 31 March 2013 attributable to owners of the Company, when compared with a loss of HK\$14,270,000 for the corresponding period in the year 2012, representing an improvement of 190%.

Basic and diluted earnings per share for the three months ended 31 March 2013 amounted to HK0.85 cents (Basic and diluted loss per share for three months ended 31 March 2012: HK0.94 cents), representing an improvement of 190% when compared with that of the corresponding period in the year 2012.

### BUSINESS REVIEW AND OUTLOOK

#### *CG creation and production*

For the three months ended 31 March 2013, revenue from CG creation and production division was HK\$15,983,000, representing a significant increase of HK\$7,685,000 when compared with that of HK\$8,298,000 for the corresponding period in the year 2012.

Currently, the Group has a total of 6 international projects in progress from clients in North America and Europe. There are also several co-production projects and service projects under negotiations or at the stage of testing and assessment. Striving to attract world-renowned customers, the Group has continued to enhance the production quality and improved financial controls as well as productivity to achieve higher revenue in recent years.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### BUSINESS REVIEW AND OUTLOOK *(Continued)*

#### *CG creation and production (Continued)*

In respect of intellectual property projects, “Happy Little Submarines III”, a 3D-animated film produced by the Group acquired a license for distribution in April this year and is intended to be released in the PRC on 31 May 2013. The staff members across all regions have participated in the distribution work proactively, and the promotion and distribution work of the movie has commenced. The Group has utilized a designated promotional platform with an aim to penetrate the town, raising publicity and popularity of the “Happy Little Submarines III”, looking forward to achieving good results. In addition, the Group plans to convert a completed 3D animation to a 3D film which will be launched by the end of this year. Meanwhile, the pre-production plan for another animated film combining both 2D and 3D effects has been completed, and such film is now under production and is expected to be completed by the end of this year. Certain new intellectual property animation projects are under planning or have commenced the production of their first prints. Negotiations on cooperation with several companies sharing interests are under way as the Group intends to expand its animation-related businesses.

The Group entered a new business segment in Shenzhen and Beijing last year and will continue to provide CG production services to broadcasting programs of the mainstream television channels and large theme parks. Apart from retaining the existing customers, we are now actively expanding the business channels, recruiting experienced officers, developing incentive policies and undertaking targeted marketing activities.

#### *CG Training*

The performance of the CG training division weakened slightly in the first quarter of 2013. We are committed to exercising a more stringent control over the quality of education to ensure our students’ graduation results and performance are up to standard, as well as designing new courses to suit the market needs.

To ensure an ideal employment rate of our students after graduation, apart from continuing to spend more effort on the maintenance of long-term talent output cooperation with numerous domestic production enterprises, the training division would also further develop the co-operation relationship with the local institutional partners and those in the surrounding areas, and explore the possibility of adding or recognizing credits in the courses with an aim to enhance career opportunities of the graduates. Besides, in respect of the marketing initiatives, a transformation will take place from the “business-to-consumer” approach to the “business-to-business” approach by gradually shifting the focus from “Recruiting by advertisements” to “Occupational training and referrals for undergraduates” and “Providing recruitment services for renowned enterprises”.

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)*

### **BUSINESS REVIEW AND OUTLOOK** *(Continued)*

#### *CG Training (Continued)*

As to training programs, in addition to the traditional training programs for TV, film and animation, we will further enhance our market presence by adding new courses and updating the existing courses based on the technological development from time to time. We will repackage our training programs by making adjustments to the whole syllabus according to the practical needs of the production enterprises before launching and we at the same time plan to roll out new courses in this year. In light of the geographical advantages of Shanghai which has attracted leading enterprises of the game industry throughout the year of 2013, the training division in Shanghai will focus on developing trainings for gaming talents, gaining of an in-depth understanding of the recruitment demands of the production enterprises, such as the demand for manpower, technological requirements, the development vision of such enterprises while grasping an understanding of the industry in which such enterprises operate.

#### *Cultural Park*

We started the trial operation of Phase I of the Pearl River Film Cultural Park on 21 December 2012. With the variety of brands that have started their business at the Park and the joining of large-scale chain stores, lifestyle stores, leisure and entertainment complexes and multicultural restaurants which are in line with the overall positioning of the Park, the Pearl River Film Cultural Park has been developed as a fashionable lifestyle centre that is rich in the culture of Guangzhou. After the completion of the renovation, all the tenants of Phase I of the Cultural Park were officially in business on 28 April 2013 and the Pearl River Film Cultural Park would meet the public with its brand new look.

The approval for the projects in the remaining phases of the Pearl River Film Cultural Park is being processed. The Group has completed the project design and approach for Phase II of the Pearl River Film Cultural Park project. The overall planning of the Pearl River Film Cultural Park will include cinemas, stores, restaurants, multi-functional malls for leisure and recreation and office tower.

## **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 2013.

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

As at 31 March 2013, 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	6,470,000	215,198,200	14.17%
Mr. Jin Guo Ping	Beneficial owner	–	2,590,000	2,590,000	0.17%
Mr. Leung Shun Sang, Tony	Beneficial owner	30,008,200	6,470,000	36,478,200	2.40%
Mr. Kwong Che Keung, Gordon	Beneficial owner	10,800,820	1,290,000	12,090,820	0.80%
Pro. 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 2013, 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 2013 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 2013, the following persons or corporations, other than the Directors or chief executives of the Company as disclosed above, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

### Long positions in the shares of the Company

Name of shareholder	Capacity in which interests are held	Number of shares held in the Company	Approximate percentage of total issued share capital of the Company
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-own 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 2013, 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 2013. 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						Date of grant	Exercise period	Exercise price per share
	Balance as at 01.01.2013	Transferred to other category during the period	Transferred from other category during the period	Exercised during the period	Lapsed during the period	Balance as at 31.03.2013			
<b>Directors</b>									
Mr. Li Shaofeng	12,950,000	-	-	-	-	12,950,000	14.12.2010	14.12.2010-03.08.2013	HK\$0.87
Mr. Chen Zheng	6,470,000	-	-	-	-	6,470,000	14.12.2010	14.12.2010-03.08.2013	HK\$0.87
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	6,470,000	-	-	-	-	6,470,000	14.12.2010	14.12.2010-03.08.2013	HK\$0.87
Mr. Kwong Che Keung, Gordon	1,290,000	-	-	-	-	1,290,000	14.12.2010	14.12.2010-03.08.2013	HK\$0.87
Prof. Japhet Sebastian Law	1,290,000	-	-	-	-	1,290,000	14.12.2010	14.12.2010-03.08.2013	HK\$0.87
	31,060,000	-	-	-	-	31,060,000			
<b>Employees of the Group</b>	14,550,000	(200,000) <sup>1)</sup>	-	-	-	14,350,000	14.12.2010	14.12.2010-03.08.2013	HK\$0.87
<b>Other participants</b>	6,850,000	-	200,000	-	(400,000)	6,650,000	14.12.2010	14.12.2010-03.08.2013	HK\$0.87
	52,460,000	(200,000)	200,000	-	(400,000)	52,060,000			

Note:

- 1) Such share options were re-classified to the category of "Other Participants" during the three months ended 31 March 2013.

## **DIRECTORS' INTERESTS IN COMPETING BUSINESSES**

During the three months ended 31 March 2013, 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 as set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules throughout the three months ended 31 March 2013.

## **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 2013.

## **AUDIT COMMITTEE**

The Group's first quarterly results for the three months ended 31 March 2013 were unaudited. The Company's audit committee (the "Audit Committee") has reviewed the 2013 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 first quarterly results of the Group for the three months ended 31 March 2013.

## 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, 10 May 2013