



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)



THIRD QUARTERLY REPORT
2014

* 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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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.

CONTENTS

CORPORATE INFORMATION	3
THIRD QUARTERLY RESULTS	
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME.....	5
INTERIM DIVIDEND	12
MANAGEMENT DISCUSSION AND ANALYSIS.....	12
PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES	15
DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES	16
DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES.....	16
SUBSTANTIAL SHAREHOLDERS	17
SHARE OPTION SCHEME	17
DIRECTORS' INTERESTS IN COMPETING BUSINESSES	18
COMPLIANCE WITH CORPORATE GOVERNANCE CODE.....	18
COMPLIANCE WITH CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS	18
AUDIT COMMITTEE	18
APPRECIATION	18

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)*

Authorised Representatives	Mr. Chen Zheng Ms. Kam Man Yi, Margaret
Auditor	Deloitte Touche Tohmatsu
Bermuda Principal Share Registrar and Transfer Office	Codan Services Limited Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Hong Kong Branch Share Registrar and Transfer Office	Tricor Standard Limited Level 22, Hopewell Centre 183 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

THIRD 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 and nine months ended 30 September 2014 with comparative figures for the corresponding periods in the year 2013.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 30 September 2014

	NOTES	Three months ended		Nine months ended	
		30 September		30 September	
		2014	2013	2014	2013
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	3	46,483	33,016	148,926	117,610
Cost of sales		(28,549)	(21,747)	(91,620)	(71,014)
Gross profit		17,934	11,269	57,306	46,596
Other income	4	4,421	4,112	31,308	42,793
Distribution costs and selling expenses		(1,441)	(2,999)	(16,533)	(16,961)
Administrative expenses		(16,083)	(15,461)	(46,209)	(48,115)
Finance costs	5	(1,634)	(2,263)	(5,295)	(6,939)
Other gains and losses	6	(3,964)	5,645	7,045	6,026
(Loss) profit before tax		(767)	303	27,622	23,400
Income tax expense	7	—	(77)	(303)	(6,180)
(Loss) profit for the period		(767)	226	27,319	17,220
Other comprehensive income (expenses)					
Item that will not be subsequently reclassified to profit or loss:					
Exchange differences on translation of financial statements from functional currency to presentation currency		9,956	(934)	(10,681)	10,299
Total comprehensive income (expenses) for the period		9,189	(708)	16,638	27,519

	NOTE	Three months ended		Nine months ended	
		30 September		30 September	
		2014	2013	2014	2013
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Loss) profit for the period attributable to:					
Owners of the Company		(4,565)	3,687	28,080	27,930
Non-controlling interests		3,798	(3,461)	(761)	(10,710)
		<u>(767)</u>	<u>226</u>	<u>27,319</u>	<u>17,220</u>
Total comprehensive income (expenses) for the period attributable to:					
Owners of the Company		4,820	2,995	18,200	37,268
Non-controlling interests		4,369	(3,703)	(1,562)	(9,749)
		<u>9,189</u>	<u>(708)</u>	<u>16,638</u>	<u>27,519</u>
		HK cents	HK cents	HK cents	HK cents
(Loss) earnings per share:	8				
Basic and diluted		<u>(0.30)</u>	<u>0.24</u>	<u>1.85</u>	<u>1.84</u>

NOTES:

1. BASIS OF PREPARATION

The unaudited condensed consolidated statement of profit or loss and other comprehensive income have been prepared in accordance with applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM" Rules).

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated statement of profit or loss and other comprehensive income have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the unaudited condensed consolidated statement of profit or loss and other comprehensive income for the nine months ended 30 September 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

In the current period, the Group has applied, for the first time, a new interpretation and certain amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are mandatorily effective for the current period. The application of the new interpretation and amendments to HKFRSs in the current period has had no material effect on the amounts reported in the unaudited condensed consolidated statement of profit or loss and other comprehensive income and/or disclosures set out in the unaudited condensed consolidated statement of profit or loss and other comprehensive income.

3. REVENUE

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from contracts for computer graphic ("CG") creation and production (Note)	16,932	15,623	72,496	68,892
Rental and building management service fee income	24,528	12,327	64,031	36,145
CG Training fee	5,023	5,066	12,399	12,573
	46,483	33,016	148,926	117,610

Note: During the nine months ended 30 September 2014, an amount of approximately HK\$21,052,000 (nine months ended 30 September 2013: HK\$26,294,000) was attributable to revenue from the release of two animated films (nine months ended 30 September 2013: one animated film) based on an agreed sharing percentage of the box office receipts.

4. OTHER INCOME

	Three months ended		Nine months ended	
	30 September		30 September	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income	1,076	2,835	4,534	8,602
Government grants	1,083	1,140	6,636	15,248
Dividend income from available-for-sale investments	–	–	17,683	13,823
Claim received	2,243	–	2,243	–
Compensation income	–	60	–	4,810
Others	19	77	212	310
	<u>4,421</u>	<u>4,112</u>	<u>31,308</u>	<u>42,793</u>

5. FINANCE COSTS

	Three months ended		Nine months ended	
	30 September		30 September	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on bank borrowings wholly repayable within five years	1,634	2,263	5,295	6,939

6. OTHER GAINS AND LOSSES

	Three months ended		Nine months ended	
	30 September		30 September	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Changes in fair value of held-for-trading investments	(4,380)	6,071	6,148	5,753
Changes in fair value of structured deposits	393	(426)	574	273
Recovery of allowance for doubtful debts	–	–	300	–
Gain on disposal of property, plant and equipment	23	–	23	–
	<u>(3,964)</u>	<u>5,645</u>	<u>7,045</u>	<u>6,026</u>

7. INCOME TAX EXPENSE

	Three months ended		Nine months ended	
	30 September		30 September	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
PRC Enterprise Income Tax ("EIT"):				
Current tax	-	77	582	6,180
Overprovisions in prior years	-	-	(279)	-
Income tax expense	-	77	303	6,180

No provision for Hong Kong Profits Tax has been made in the unaudited condensed consolidated statement of profit or loss and other comprehensive income for both periods since the assessable profit is wholly absorbed by tax losses brought forward for the nine months ended 30 September 2014 (nine months ended 30 September 2013: 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 Rules 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% for both periods.

No provision for tax in other jurisdictions has been made in the unaudited condensed consolidated statement of profit or loss and other comprehensive income for both periods as the Group had no assessable profit arising in other jurisdictions.

8. (LOSS) EARNINGS PER SHARE

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

	Three months ended 30 September 2014		Nine months ended 30 September 2014	
	2013	2013	2013	2013
	HK\$'000	HK\$'000	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>(4,565)</u>	<u>3,687</u>	<u>28,080</u>	<u>27,930</u>
	'000	'000	'000	'000

Number of shares

Number of ordinary shares in issue for purposes of basic and diluted (loss) earnings per share

<u>1,518,256</u>	<u>1,518,256</u>	<u>1,518,256</u>	<u>1,518,256</u>
------------------	------------------	------------------	------------------

All the share options under the share option scheme adopted by the Company on 18 July 2003 of the Company were lapsed in August 2013. The shareholders of the Company adopted a new share option scheme at the annual general meeting on 18 June 2013 (the "2013 Share Option Scheme"). No share option has been granted under the 2013 Share Option Scheme since its adoption.

9. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company											
	Share	Capital	Contributed		Share						Non-	
	capital	reserve	contribution	surplus	Statutory	options	Exchange	Special	Retained	Sub-total	controlling	
	premium	reserve	reserve	reserve	reserve	reserve	reserve	reserve	profits	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 2014 (audited)	15,183	75,856	445	245,881	870	-	73,264	39	544,591	956,129	46,112	1,002,241
Profit (loss) for the period	-	-	-	-	-	-	-	-	28,080	28,080	(761)	27,319
Other comprehensive expenses	-	-	-	-	-	-	(9,880)	-	-	(9,880)	(801)	(10,681)
Total comprehensive (expenses) income for the period	-	-	-	-	-	-	(9,880)	-	28,080	18,200	(1,562)	16,638
Sub-total	15,183	75,856	445	245,881	870	-	63,384	39	572,671	974,329	44,550	1,018,879
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	(1,248)	-	(1,248)	1,248	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(115)	(115)
At 30 September 2014 (unaudited)	15,183	75,856	445	245,881	870	-	63,384	(1,209)	572,671	973,081	45,683	1,018,764
At 1 January 2013 (audited)	15,183	75,856	445	245,881	680	16,895	55,489	39	494,053	904,521	54,971	969,492
Profit (loss) for the period	-	-	-	-	-	-	-	-	27,930	27,930	(10,710)	17,220
Other comprehensive income	-	-	-	-	-	-	9,338	-	-	9,338	961	10,299
Total comprehensive income (expenses) for the period	-	-	-	-	-	-	9,338	-	27,930	37,268	(9,749)	27,519
Sub-total	15,183	75,856	445	245,881	680	16,895	64,827	39	521,983	941,789	45,222	987,011
Lapse of share options granted	-	-	-	-	-	(16,895)	-	-	16,895	-	-	-
Transfer to statutory reserve	-	-	-	-	190	-	-	-	(190)	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(72)	(72)
At 30 September 2013 (unaudited)	15,183	75,856	445	245,881	870	-	64,827	39	538,688	941,789	45,150	986,939

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2014 (nine months ended 30 September 2013: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

Revenue for the nine months ended 30 September 2014 was HK\$148,926,000, when compared with that of HK\$117,610,000 for the corresponding period in the year 2013, representing an increase of approximately 27%. The increase was mainly attributable to increases in rental and building management service fee income and revenue from contracts for computer graphic ("CG") creation and production by HK\$27,886,000 and HK\$3,604,000 respectively.

Cost of sales for the nine months ended 30 September 2014 amounted to HK\$91,620,000, when compared with that of HK\$71,014,000 for the corresponding period in the year 2013, representing an increase of approximately 29%. The increase was mainly due to an increase in direct operating costs incurred for our headquarters building in Shenzhen, which started generating building management service fee income since the last quarter of year 2013, and an increase in CG costs incurred in line with increase in revenue generated from CG creation and production.

Other income for the nine months ended 30 September 2014 amounted to HK\$31,308,000 (nine months ended 30 September 2013: HK\$42,793,000). Other income for the nine months ended 30 September 2014 mainly included dividend income from available-for-sale investment of HK\$17,683,000 (nine months ended 30 September 2013: HK\$13,823,000), government grants of HK\$6,636,000 (nine months ended 30 September 2013: HK\$15,248,000), interest income of HK\$4,534,000 (nine months ended 30 September 2013: HK\$8,602,000), and an insurance claim received of HK\$2,243,000 (nine months ended 30 September 2013: Nil) in relation to the legal proceeding which was settled on 5 July 2012.

Distribution costs and selling expenses mainly incurred on advertising and marketing of the intellectual property projects for the nine months ended 30 September 2014 amounted to HK\$16,533,000 (nine months ended 30 September 2013: HK\$16,961,000), representing a decrease of approximately 3%.

Administrative expenses for the nine months ended 30 September 2014 amounted to HK\$46,209,000 (nine months ended 30 September 2013: HK\$48,115,000), representing a decrease of approximately 4%. The decrease was mainly attributable to decreases in legal and professional fee and staff costs during the period.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL OVERVIEW *(Continued)*

Finance costs for the nine months ended 30 September 2014 amounted to HK\$5,295,000 (nine months ended 30 September 2013: HK\$6,939,000). The finance costs were interest on bank borrowings for the construction of the headquarters building in Shenzhen and the decrease was resulted from repayment of part of the bank borrowings during the period.

Other gains and losses for the nine months ended 30 September 2014 amounted to HK\$7,045,000 of net gains (nine months ended 30 September 2013: HK\$6,026,000). It was mainly attributable to an increase in fair value of held-for-trading investments of HK\$6,148,000 (nine months ended 30 September 2013: HK\$5,753,000).

Overall, the Group recorded a profit attributable to owners of the Company of HK\$28,080,000 for the nine months ended 30 September 2014, when compared with the profit attributable to owners of the Company of HK\$27,930,000 for the corresponding period in the year 2013.

BUSINESS REVIEW AND OUTLOOK

CG Creation and production

The Group's revenue from the CG creation and production division was primarily generated from the operations in the production of international animation projects, intellectual property projects, animated television dramas and exhibition display productions.

During the third quarter, our CG creation and production division worked on four international animation television projects with clients from Europe and North America. Over the years, the production team has achieved steady development in the production of international projects. The technical research and development department of the CG creation and production division has put in place a number of enhancements to maintain our production standard at an international level. In the first three quarters, we achieved various innovations breakthrough on software and production process, which enhanced our quality, efficiency and cost control effectiveness through technical advancement.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW AND OUTLOOK *(Continued)*

CG Creation and production (Continued)

In respect of intellectual property projects, the intellectual property animated film “Happy Little Submarine IV: Adventure of Octopus” released on 30 May 2014 secured first place in terms of box office receipts among seven other domestic animated films released around the same time, with a box office of RMB47 million. The “Happy Little Submarine” series hit the highest box office of domestic animated films for the June 1st Children’s Day slot for three consecutive years from 2012. Negotiation for the sale of broadcasting rights on online video platform and children’s cartoon channel for these three films has commenced and the Group is in negotiation with potential collaborators on film copyrights and grant of film derivative products licenses. As the brand recognition of the “Happy Little Submarine” series animated film increases steadily, the Group has initiated the story and role production of the new film sequels. Furthermore, “Smart Shunliu”, an animated television drama jointly produced by the Group and the Television and Art Center under the Military and Political Bureau of Jinan province of the PRC, is still in progress.

During the first half of the year, our Group was awarded “Top 10 Annual Creative Brands” by the 2nd Shenzhen Creativeness Selection panel of 2013 (2013年第二屆深圳創意影響力評選「十大年度創意品牌」), and was accredited “CCIF Influential Institution of Animation & Comics Industry of China” (「CCIF 中國動漫產業影響力機構」) by Chinese Cartoon Industry Forum (中國卡通產業論壇). In the third quarter of the year, we won numerous industry awards and was awarded two silver prizes at the Xiamen International Animation Festival, which includes Silver Prize of Best Animated Film (「最佳影視動畫長片銀獎」) for “Happy Little Submarine IV: Adventure of Octopus” and Silver Prize of Best Mobile Animation (「最佳手機動畫銀獎」) for “Ayamaya: Meet by chance”. Meanwhile, “Happy Little Submarine III: Rainbow Treasure” was also awarded the Outstanding Work of the 9th Spiritual Civilization Development of Guangdong Province “Five Best Ones Projects” (廣東省第九屆精神文明建設「五個一工程」優秀作品獎).

Furthermore, the division continued to provide CG production, digital animated technology exhibition and large event production services for broadcasting programs of mainstream television stations in mainland China and theme parks in China and overseas.

As the core business of the Group, creativity and technological advancement of the CG creation and production division are crucial to maintaining in line with the market trends to ensure success of the Group. The Group will keep striving to build a creative team and upgrade the technologies as well as seeking for breakthroughs in the animated film industry.

CG Training

The revenue from the CG training division for the nine months ended 30 September 2014 amounted to HK\$12,399,000, representing a decrease of approximately 1% when compared with the corresponding period in the year 2013 of HK\$12,573,000.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW AND OUTLOOK *(Continued)*

CG Training *(Continued)*

As the third quarter is the peak admission season of the CG training division, the Marketing Department has made efforts to develop various admission channels and actively conducted marketing promotion and online advertising. At the same time, the Marketing Department has also designed diversified practical courses for trainees to acquire practical skills in order to satisfy the needs of the enterprises, as well as continued to consolidate the cooperation relationship with colleges. However, intense competition in the industry imposes much pressure on and challenges to the training team, the performance of the CG training business has yet to be improved. The Group has implemented corresponding measures and actively strengthened the brand and the CG training team with the expectation of achieving profit in the future.

Cultural Park

The revenue from the Cultural Park division for the nine months ended 30 September 2014 amounted to HK\$29,175,000, representing an increase of HK\$16,404,000 when compared with the corresponding period in the year 2013 of HK\$12,771,000.

The Group has gradually achieved the diversified business targets set at the beginning of the year, and the revenue of the Cultural Park increased steadily in every quarter of the year. This was achieved primarily through attracting tenants and reviewing tenant portfolio, expanding outdoor leasing areas of the concourse so as to increase revenue effectively, and also holding various cultural and promotional activities, promoting and publishing the latest information of the activities in the Cultural Park through WeChat to attract customers within and outside of the Cultural Park and to promote the awareness of the Cultural Park. On the other hand, the approval for development of Phase II of the Cultural Park is still in progress. Going forward, the Group plans to make regular improvements in the quality of the properties in the Cultural Park and optimize its existing tenant portfolio so as to ensure that such investment property will generate a better return.

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 nine months ended 30 September 2014.

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

As at 30 September 2014, 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. Chen Zheng	Beneficial owner	208,728,200	-	208,728,200	13.75%
Mr. Leung Shun Sang, Tony	Beneficial owner	30,008,200	-	30,008,200	1.98%
Mr. Kwong Che Keung, Gordon	Beneficial owner	10,800,820	-	10,800,820	0.71%
Prof. Japhet Sebastian Law	Beneficial owner	3,000,000	-	3,000,000	0.20%

Save as disclosed above, as at 30 September 2014, 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 nine months ended 30 September 2014 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 30 September 2014, 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.

Save as disclosed above, as at 30 September 2014, 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 June 2013, 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 since its adoption. The Share Option Scheme is valid and effective for a period of 10 years.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the nine months ended 30 September 2014, 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 nine months ended 30 September 2014.

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 nine months ended 30 September 2014.

AUDIT COMMITTEE

The Group's third quarterly results for the nine months ended 30 September 2014 were unaudited. The Company's audit committee (the "Audit Committee") has reviewed the 2014 unaudited third 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 third quarterly results of the Group for the nine months ended 30 September 2014.

APPRECIATION

On behalf of the Board, I would like to extend our sincere thanks to our shareholders, business partners and customers 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, 6 November 2014