



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
2015

** 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
FIRST 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*)
Ms. Cheng Xiaoyu (*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
Ms. Cheng Xiaoyu

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

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 2015 with comparative figures for the corresponding period in the year 2014.

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

For the three months ended 31 March 2015

		Three months ended 31 March	
	NOTES	2015 HK\$'000	2014 HK\$'000
Revenue	3	42,734	36,649
Cost of sales		(25,270)	(23,397)
Gross profit		17,464	13,252
Other income	4	2,571	7,049
Distribution costs and selling expenses		(1,846)	(2,865)
Administrative expenses		(18,161)	(15,640)
Finance costs	5	(1,255)	(1,907)
Other gains and losses	6	19,499	16,781
Profit before tax		18,272	16,670
Income tax expenses	7	(731)	(778)
Profit for the period		17,541	15,892
Other comprehensive 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		-	(20,666)
Reclassification adjustment relating to disposal of available-for-sale investment during the period		(20,789)	-
Total comprehensive expenses for the period		(3,248)	(4,774)

		Three months ended	
		31 March	
	<i>NOTE</i>	2015	2014
		HK\$'000	<i>HK\$'000</i>
Profit (loss) for the period attributable to:			
Owners of the Company		15,397	18,396
Non-controlling interests		2,144	(2,504)
		17,541	15,892
Total comprehensive (expenses) income for the period attributable to:			
Owners of the Company		(5,392)	(926)
Non-controlling interests		2,144	(3,848)
		(3,248)	(4,774)
		HK cents	<i>HK cents</i>
Earnings per share:			
Basic and diluted	8	1.01	1.21

NOTES:

1. BASIS OF PREPARATION

The unaudited condensed consolidated statement of profit or loss and other 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 profit or loss and other comprehensive income has been prepared on the historical cost basis except for certain properties and 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 profit or loss and other comprehensive income for the three months ended 31 March 2015 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

In the current period, the Group has applied, for the first time, certain new and revised Hong Kong Financial Report 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 2015. The application of these new and revised HKFRSs in the current period had no material effect on the unaudited condensed consolidated statement of profit or loss and other comprehensive income.

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

HKFRS 9	Financial Instruments ¹
HKFRS 14	Regulatory Deferral Accounts ²
HKFRS 15	Revenue from Contracts with Customers ³
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ⁴
Amendments to HKAS 1	Disclosure Initiative ⁴
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle ⁴
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ⁴
Amendments to HKAS 27	Equity Method in Separate Financial Statements ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ⁴

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

3 Effective for annual periods beginning on or after 1 January 2017

4 Effective for annual periods beginning on or after 1 January 2016

3. REVENUE

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

	Three months ended	
	31 March	
	2015	2014
	HK\$'000	<i>HK\$'000</i>
Revenue from contracts for computer graphic ("CG") creation and production	14,574	13,605
Rental and building management service fee income	24,763	19,215
CG training fee	3,397	3,829
	42,734	36,649

4. OTHER INCOME

	Three months ended	
	31 March	
	2015	2014
	HK\$'000	<i>HK\$'000</i>
Interest income	1,580	2,082
Government grants	899	4,857
Others	92	110
	2,571	7,049

5. FINANCE COSTS

	Three months ended	
	31 March	
	2015	2014
	HK\$'000	<i>HK\$'000</i>
Interest on bank borrowings wholly repayable within five years	1,255	1,907

6. OTHER GAINS AND LOSSES

	Three months ended	
	31 March	
	2015	2014
	HK\$'000	HK\$'000
Gain on disposal of available-for-sale investment	20,789	–
(Decrease) increase in fair value of held-for-trading investments (Note)	(1,605)	16,466
Increase in fair value of structured deposits	315	15
Reversal of allowance for doubtful debts	–	300
	19,499	16,781

Note: During the three months ended 31 March 2014, an amount of approximately HK\$11,052,000 was attributable to the realised gain on fair value change of held-for-trading investments.

7. INCOME TAX EXPENSE

	Three months ended	
	31 March	
	2015	2014
	HK\$'000	HK\$'000
Current Tax:		
PRC Enterprise Income Tax ("EIT")	731	778

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 as the Group had no assessable profit arising in Hong Kong for the three months ended 31 March 2015 (three months ended 31 March 2014: the assessable profit was wholly absorbed by tax losses brought forward).

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 State Council for the tax policies on the animation enterprise (Caishui [2009] No. 65), the PRC subsidiaries which qualified as animation enterprise are entitled to tax concession, whereby their applicable tax rate will progressively increase to 25%. The tax concession will expire in 2016. One of the PRC subsidiaries was able to enjoy a preferential tax rate at 12.5% in 2015 as it was qualified as animation enterprise. For the three months ended 31 March 2015, the relevant tax rates for the Group's subsidiaries in the PRC ranged from 12.5% to 25% (three months ended 31 March 2014: 25%).

8. EARNINGS PER SHARE

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

	Three months ended	
	31 March	
	2015	2014
	HK\$'000	HK\$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share (Profit for the period attributable to owners of the Company)	15,397	18,396
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	1,518,256	1,518,256

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 2013 Share Option Scheme since adoption.

9. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company											
	Share capital	Share premium reserve	Capital contribution reserve	Contributed surplus reserve	Statutory reserve	Investment revaluation reserve	Exchange reserve	Special reserve	Retained earnings	Sub-total	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 2015	15,183	75,856	445	245,881	1,107	25,986	53,644	(1,209)	576,216	993,109	46,631	1,039,740
Profit for the period	-	-	-	-	-	-	-	-	15,397	15,397	2,144	17,541
Investment revaluation reserve released on disposal of available-for-sale investment	-	-	-	-	-	(20,789)	-	-	-	(20,789)	-	(20,789)
Total comprehensive (expenses) income for the period	-	-	-	-	-	(20,789)	-	-	15,397	(5,392)	2,144	(3,248)
At 31 March 2015	15,183	75,856	445	245,881	1,107	5,197	53,644	(1,209)	591,613	987,717	48,775	1,036,492
At 1 January 2014	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	-	-	-	-	-	-	-	-	18,396	18,396	(2,504)	15,892
Exchange differences arising on translation of financial statements from functional currency to presentation currency	-	-	-	-	-	-	(19,322)	-	-	(19,322)	(1,344)	(20,666)
Total comprehensive (expenses) income for the period	-	-	-	-	-	-	(19,322)	-	18,396	(926)	(3,848)	(4,774)
At 31 March 2014	15,183	75,856	445	245,881	870	-	53,942	39	562,987	955,203	42,264	997,467

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2015 (three months ended 31 March 2014: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

Revenue for the three months ended 31 March 2015 was HK\$42,734,000, when comparing with that of HK\$36,649,000 for the corresponding period in the year 2014, representing an increase of approximately 17%. The increase was mainly attributable to an increase in rental and building management service fee income of HK\$5,548,000.

Cost of sales for the three months ended 31 March 2015 amounted to HK\$25,270,000, when comparing with that of HK\$23,397,000 for the corresponding period in the year 2014, representing an increase of approximately 8%. The increase was mainly attributable to more production costs spent on CG creation and production.

Other income for the three months ended 31 March 2015 amounted to HK\$2,571,000 (three months ended 31 March 2014: HK\$7,049,000). It mainly included interest income of HK\$1,580,000 (three months ended 31 March 2014: HK\$2,082,000) and government grants of HK\$899,000 (three months ended 31 March 2014: HK\$4,857,000).

Distribution costs and selling expenses for the three months ended 31 March 2015 amounted to HK\$1,846,000 (three months ended 31 March 2014: HK\$2,865,000), representing a decrease of approximately 36%. The decrease was mainly attributable to decrease in the marketing expenses spent during the period.

Administrative expenses for the three months ended 31 March 2015 amounted to HK\$18,161,000 (three months ended 31 March 2014: HK\$15,640,000), representing an increase of approximately 16%. The increase was mainly attributable to increases in exchange loss and professional fee recognized during the period.

Finance costs for the three months ended 31 March 2015 was HK\$1,255,000 (three months ended 31 March 2014: HK\$1,907,000) being interest on bank borrowings for the construction of the headquarters building in Shenzhen. The decrease was resulted from decreases in both interest rate of bank borrowings and principal amount after repayment of part of the bank borrowings during the period.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL OVERVIEW *(Continued)*

Other gains and losses for the three months ended 31 March 2015 amounted to HK\$19,499,000 of net gains (three months ended 31 March 2014: HK\$16,781,000 of net gains). It mainly included a decrease in fair value of held-for-trading investments of HK\$1,605,000 (increase in fair value of held-for-trading investments for the three months ended 31 March 2014: HK\$16,466,000) and gain on the disposal of available-for-sale investment of HK\$20,789,000 (three months ended 31 March 2014: nil) which was recognized upon the 1st completion of the disposal of 23,823,822 GDC Technology Limited ("GDC Tech") shares on 26 February 2015. Following the 1st completion, the amount of gain on disposal of available-for-sale investment was reclassified from investment revaluation reserve and the Group's shareholding in GDC Tech reduced from approximately 11.38% to 2.28%. The remaining GDC Tech shares, being 5,955,955 shares, shall be also transferred to Huayi Brothers International Investment Limited at the 2nd completion in 2017, subject to the terms and condition of sale and purchase agreement dated 28 November 2014.

As a whole, the Group recorded a profit of HK\$15,397,000 for the three months ended 31 March 2015 attributable to owners of the Company, when comparing with that of HK\$18,396,000 for the corresponding period in the year 2014, representing a decrease of approximately 16%.

BUSINESS REVIEW AND OUTLOOK

CG creation and production

The revenue from the CG creation and production division for the three months ended 31 March 2015 amounted to HK\$27,716,000, representing an increase of HK\$3,160,000 when compared with the corresponding period in the year 2014 of HK\$24,556,000.

During the first quarter of 2015, the CG creation and production division completed two international animated television drama projects. Currently, we are working on three international animated television drama projects, including one co-production project with a French company in which we have copyright. We worked with clients from Europe and North America on production projects in relation to international animated television dramas. A new film project will begin soon and two new television drama projects are under negotiation at present.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW AND OUTLOOK *(Continued)*

CG creation and production (Continued)

In respect of intellectual property projects, the production of our latest animated film of “Happy Little Submarine” series is completed and the film is currently in the post-production stage. It is expected that the latest “Happy Little Submarine” series will be released nationwide in China in mid-2015. Meanwhile, the Group has authorised a renowned mobile games developer and toy manufacturer to develop a “Happy Little Submarine” themed mobile games and toy products. Furthermore, the production of “Smart Shunliu”, an animated television drama jointly produced by the Group and the Television and Art Centre under the Military and Political Bureau of Jinan province of the PRC, is still in progress. As an educational military film, “Smart Shunliu” has attracted the attention of children’s cartoon channels and manufacturers of derivative toys. The Group has authorised a toy manufacturer to develop military toy products in co-operation with the Group. It is expected that joint promotion will be held in the major toys and animation and comics exhibitions in China with the toy manufacturer.

In respect of digital animated technology exhibition and large event production projects, the Group continued to provide CG production services for programs of mainstream television stations in the PRC and theme parks during the first quarter of 2015 and will continue to actively expand its business.

The Group participated in domestic and international animated films and dramas activities actively which enhanced the Group’s brand awareness and opened up new channels to attract customers’ attention to the Group. At 2015 KIDSCREEN, an activity organised by the largest forum in North America in respect of children’s television entertainment content in February 2015, our selected film “Happy Little Submarine III: Rainbow Treasure” entered the competition and was nominated “Best Pre-School TV films”.

The Group always supported environmental protection and public welfare activities. The Group refurbished old computers and donated them to the less privileged groups regularly. In the first quarter of 2015, the Group donated 160 old computers to the Guangdong Province Education Foundation.

The Group continues to focus on providing services of high quality and standards and endeavours to maintain good relationships with its international customers and partners, while continuing to enhance its competitiveness in the industry by reducing costs through technology and process innovation.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW AND OUTLOOK *(Continued)*

CG Training

The revenue from the CG training division for the three months ended 31 March 2015 amounted to HK\$3,397,000 representing a decrease of approximately 11% as compared with the revenue for 2014 of HK\$3,829,000.

Despite increasing industry competition and intensified marketing efforts of the competitors, the enrollment of courses for the second and third quarter under the CG training division in Shenzhen and Guangzhou in the first quarter of 2015 slightly improved. During the period, the training team continued to improve the teaching module, developed new professional courses and strengthened its interaction with enterprises and institutions. In the first quarter of 2015, the Group co-operated with about ten new institutions. The Group looks towards more recruitment of students in the long run and the team can come up with opinions and advices on curriculum development from discussions with the institutions. In addition, the marketing team of the training division strengthened the various external promotion channels and achieved comprehensive promotion coverage on media, platforms, online, offline and institutions. It is expected that the training team will focus on achieving breakthroughs in the channel of institutions in the second quarter of 2015 and the scope of cooperation will be expanded and recruitments will be directly conducted through seminars so as to improve business revenue.

Cultural Park

The Cultural Park is located along the railway line in the center of Haizhu District in Guangzhou, at transport interchange. It has a lettable floor area of approximately 15,000 square meters. As of 31 March 2015, the occupancy rate of the Cultural Park exceeded 97%. The rental revenue in the first quarter of this year increased approximately 41% as compared with the same period last year, through reviewing the tenant portfolio, expanding outdoor leasing areas of the concourse so as to increase revenue from leasing effectively. On the other hand, the research and discussion for development of Phase II of the Cultural Park are still in progress. The Group continues to make regular improvement on properties in the Cultural Park and optimize its tenant portfolio, working on quality 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 three months ended 31 March 2015.

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

As at 31 March 2015, 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	Numbers 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 31 March 2015, 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 2015 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 2015, 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-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 corporations 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 31 March 2015, 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 shall be valid and effective for a period of 10 years.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the three months ended 31 March 2015, none of the Directors had an interest in a business (other than those businesses where a Director was appointed as a director 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 2015.

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 2015.

AUDIT COMMITTEE

The Group's first quarterly results for the three months ended 31 March 2015 were unaudited. The Company's audit committee (the "Audit Committee") has reviewed the 2015 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 2015.

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, 8 May 2015