



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
2016

* For identification purpose only

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This report, for which the directors (the “Directors”) of Global Digital Creations Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Li Shaofeng (*Chairman*)
Mr. Chen Zheng (*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. Lam Yiu Kin

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. Lam Yiu Kin

Nomination Committee

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

Remuneration Committee

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

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 2112, 21/F, K. Wah Centre 191 Java Road North Point Hong Kong
Stock Code	8271
Website	www.gdc-world.com

FIRST QUARTERLY RESULTS

The board of Directors of the Company (the "Board") hereby presents the unaudited condensed consolidated financial results of the Company and its subsidiaries (the "Group") for the three months ended 31 March 2016 with comparative figures for the corresponding period in the year 2015.

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

For the three months ended 31 March 2016

		Three months ended 31 March	
	<i>NOTES</i>	2016 HK\$'000	2015 HK\$'000
Revenue	3	34,696	42,734
Cost of sales		(19,893)	(25,270)
		<hr/>	<hr/>
Gross profit		14,803	17,464
Other income	4	1,954	2,571
Distribution costs and selling expenses		(713)	(1,846)
Administrative expenses		(16,895)	(18,161)
Finance costs	5	-	(1,255)
Other gains and losses	6	250	19,499
		<hr/>	<hr/>
(Loss) profit before tax		(601)	18,272
Income tax expense	7	(1,553)	(731)
		<hr/>	<hr/>
(Loss) profit for the period		(2,154)	17,541
		<hr/>	<hr/>
Other comprehensive income (expenses):			
Item that will not be reclassified to profit or loss:			
Exchange differences on translation of financial statements from functional currency to presentation currency		7,636	-
Item that may be reclassified subsequently to profit or loss:			
Cumulative gain reclassified to profit or loss on sale of available-for-sale investment		-	(20,789)
		<hr/>	<hr/>
Total comprehensive income (expenses) for the period		5,482	(3,248)
		<hr/>	<hr/>

		Three months ended 31 March	
		2016	2015
<i>NOTE</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss) profit for the period attributable to:			
	Owners of the Company	(3,041)	15,397
	Non-controlling interests	887	2,144
		<u>(2,154)</u>	<u>17,541</u>
Total comprehensive income (expenses) for the period attributable to:			
	Owners of the Company	4,127	(5,392)
	Non-controlling interests	1,355	2,144
		<u>5,482</u>	<u>(3,248)</u>
		<i>HK cents</i>	<i>HK cents</i>
(Loss) earnings per share:			
	Basic	<u>(0.20)</u>	<u>1.01</u>

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 2016 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

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 2016. 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 15	Revenue from Contracts with Customers ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²

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

² Effective for annual periods beginning on or after a date to be determined

3. REVENUE

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

	Three months ended	
	31 March	
	2016	2015
	HK\$'000	HK\$'000
Revenue from contracts for computer graphic ("CG") creation and production	8,594	14,574
Rental and building management service fee income	24,746	24,763
CG training fee	1,356	3,397
	34,696	42,734

4. OTHER INCOME

	Three months ended 31 March	
	2016	2015
	HK\$'000	HK\$'000
Interest income	1,050	1,580
Government grants	857	899
Others	47	92
	<u>1,954</u>	<u>2,571</u>

5. FINANCE COSTS

	Three months ended 31 March	
	2016	2015
	HK\$'000	HK\$'000
Interest on bank borrowings wholly repayable within five years	<u>-</u>	<u>1,255</u>

6. OTHER GAINS AND LOSSES

	Three months ended 31 March	
	2016	2015
	HK\$'000	HK\$'000
Increase in fair value of structured deposits	250	315
Gain on disposal of available-for-sale investment	-	20,789
Decrease in fair value of held-for-trading investments	<u>-</u>	<u>(1,605)</u>
	<u>250</u>	<u>19,499</u>

7. INCOME TAX EXPENSE

	Three months ended 31 March	
	2016	2015
	HK\$'000	HK\$'000
The income tax expense comprises:		
PRC Enterprise Income Tax ("EIT")		
Current tax	1,356	731
Deferred tax	<u>197</u>	<u>-</u>
	<u>1,553</u>	<u>731</u>

7. INCOME TAX EXPENSE (Continued)

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.

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% from 2014 till 2016 as it was qualified as animation enterprise. For the three months ended 31 March 2016, the relevant tax rates for the Group's subsidiaries in the PRC was ranged from 12.5% to 25% (three months ended 31 March 2015: 12.5% to 25%).

No provision for tax in other jurisdictions has been made in the unaudited condensed consolidation 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 (loss) earnings per share attributable to owners of the Company is based on the following data:

	Three months ended 31 March	
	2016	2015
	HK\$'000	HK\$'000
(Loss) earnings		
(Loss) earnings for the purposes of basic (loss) earnings per share ((Loss) profit for the period attributable to owners of the Company)	(3,041)	15,397
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	1,518,256	1,518,256

Diluted (loss) earnings per share presented is the same as basic (loss) earnings per share as there were no potential ordinary shares outstanding for the three months ended 31 March 2016 and 2015.

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	Investment Statutory reserve	Investment revaluation reserve	Exchange reserve	Special reserve	Retained earnings	Non-controlling interests	Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	Sub-total HK\$'000	HK\$'000	HK\$'000
At 1 January 2016	15,183	75,856	445	245,881	1,953	5,565	13,796	(1,209)	586,364	943,834	53,411	997,245
(Loss) profit for the period	-	-	-	-	-	-	-	-	(3,041)	(3,041)	887	(2,154)
Exchange differences on translation of financial statements from functional currency to presentation currency	-	-	-	-	-	-	7,168	-	-	7,168	468	7,636
Total comprehensive income (expenses) for the period	-	-	-	-	-	-	7,168	-	(3,041)	4,127	1,355	5,482
At 31 March 2016	15,183	75,856	445	245,881	1,953	5,565	20,964	(1,209)	583,323	947,961	54,766	1,002,727
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
Cumulative gain reclassified to profit or loss on sale 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

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2016 (three months ended 31 March 2015: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the three months ended 31 March 2016, the Group recorded a loss attributable to owners of the Company of HK\$3,041,000, and for the three months ended 31 March 2015, the Group recorded a profit attributable to owners of the Company of HK\$15,397,000.

Revenue for the three months ended 31 March 2016 amounted to HK\$34,696,000, representing a decrease of 19% when compared with that of HK\$42,734,000 in the corresponding period in 2015. The decrease was mainly attributable to a decrease of HK\$5,980,000 and HK\$2,041,000 in revenue from contracts for computer graphics (“CG”) creation and production and income from CG training respectively.

Cost of sales for the three months ended 31 March 2016 amounted to HK\$19,893,000, representing a decrease of HK\$5,377,000 when compared with that of HK\$25,270,000 in the corresponding period in 2015. The decrease was mainly attributable to a decrease in production costs for contracts for CG creation and production.

Other income for the three months ended 31 March 2016 amounted to HK\$1,954,000, representing a decrease of HK\$617,000 when compared with that of HK\$2,571,000 in the corresponding period in 2015. The decrease was mainly attributable to a decrease of HK\$530,000 in interest income.

Distribution costs and selling expenses for the three months ended 31 March 2016 amounted to HK\$713,000 (three months ended 31 March 2015: HK\$1,846,000), representing a decrease of 61%. The decrease was mainly attributable to a decrease in the advertising and marketing expenses during the period.

Administrative expenses for the three months ended 31 March 2016 amounted to HK\$16,895,000 (three months ended 31 March 2015: HK\$18,161,000), representing a decrease of 7%. In the first quarter, exchange loss and legal and professional fees decreased by HK\$4,786,000, partly offset by the recognition of rental cost of Phase II of the Cultural Park amounted to HK\$2,628,000 in the profit or loss. As disclosed in the section headed “Litigation” in this report, 珠江電影製片有限公司 (“Pearl River Film Production”) has initiated the legal proceedings against the division of the Cultural Park, and as at the date of this report, the outcome of the proceedings is yet to be determined. The Group adopts a prudent approach by ceasing to capitalize the rental cost of Phase II of the Cultural Park to investment property under construction since the first quarter of 2016. All of the rental cost was recognised in the profit or loss during the period in which it was incurred, and will be adjusted appropriately depending on the development of the proceedings.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

There were no finance costs for the three months ended 31 March 2016 incurred (three months ended 31 March 2015: HK\$1,255,000). All bank loans were repaid in advance in July 2015.

Other gains and losses for the three months ended 31 March 2016 was HK\$250,000 of net gains (three months ended 31 March 2015: HK\$19,499,000 of net gains). The decrease in such net gains was mainly attributable to the recognition of the non-recurrent gain on disposal of available-for-sale investments of HK\$20,789,000 arising from the first completion on disposal of shares of GDC Technology Limited for the three months ended 31 March 2015, while no such gain was recognised in the corresponding period in 2016.

BUSINESS REVIEW AND OUTLOOK

CG creation and production

The revenue from the CG creation and production division for the three months ended 31 March 2016 amounted to HK\$21,349,000, representing a decrease of HK\$6,367,000 as compared with that of HK\$27,716,000 in the corresponding period in 2015.

During the first quarter in 2016, the CG creation and production division completed one international animated television drama project. In respect of original work projects, "Smart Shunliu – Eagle Boy", an animated television drama with 52 episodes that the division produced in collaboration with the Television and Art Centre under the Military and Political Bureau of Jinan province of the People's Republic of China (the "PRC"), has successfully obtained the Domestic Animated Television Drama Distribution Licence and has been broadcasted on children's cartoon satellite TV channels in the country starting on 10 March 2016. The drama was well-received by the broadcast channels and the audience with positive feedback. It will also be broadcasted on major online video platforms in the PRC and television stations in other PRC cities later. The division plans to launch a sequel and a film version of this drama and we expect to build a brand of educational animation on military theme that has the most positive influence in the PRC. Meanwhile, the division is preparing the production of an original film, we have initially entered into cooperation agreements with a number of well-known game brands on placement of content and joint promotion, and the preliminary design of the film has been completed. In addition to the development of several original work projects at its Shenzhen creative centre, the division entered into a framework agreement with the Department of Animation and Digital Arts, Communication University of China in Beijing in the first quarter of 2016 to set up a joint film production workshop, hoping to accelerate the development of original work projects.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW AND OUTLOOK *(Continued)*

CG creation and production (Continued)

In respect of digital animated technology exhibitions and large event production, the revenue from those contracts dropped substantially in the first quarter of 2016 which was mainly affected by the tightening policies of the PRC government as well as the slowdown of the economy, the production budget of television stations and large-scale theme parks decreased significantly.

In the first quarter of 2016, the division joined the “20th Hong Kong International Film & TV Market” as a main exhibitor in Guangdong Pavillion, so as to introduce to local and overseas visitors some of the original animation films and TV series that we have produced. Moreover, the division kept a close eye on new technology and development trends of the industry and conducted in-depth investigation and assessment of the latest popular virtual reality (“VR”) products and its contents in films and dramas. In view of the fact that the techniques of VR contents in films and dramas are becoming more mature and there is substantial market demand, the division is currently commencing development of creation processes, visual design of virtual experience and the training of professionals in the VR areas. Looking forward, the Group would expect a diversified and sustainable development of the business in CG creation and production.

CG Training

The revenue from the CG training division for the three months ended 31 March 2016 amounted to HK\$1,356,000 representing a decrease of HK\$2,041,000 as compared with that of HK\$3,397,000 in the corresponding period in 2015.

At the beginning of 2016, the CG training division underwent integration, while its business points in Shanghai and Guangzhou discontinued their business in February and April 2016 respectively, which affected the revenue of the business of the division in the first quarter of 2016. The division will focus on the base of Shenzhen for future development. In order to improve the performance of the business, the teaching team in Shenzhen revised the content of curriculum, introduced some of the personnel from the CG creation and production division to teach the practical courses and lengthened the sessions of training, hoping that it would nurture more experienced technicians. Currently, most of the major competitors in the market have shifted to the field of games. Although the demand for talents in the film and drama CG industry is very strong, the salary of junior personnel in the industry is relatively low and cannot match the salary standard of the game industry, resulting in difficulties and challenges in the recruitment work. In the future, the training team will continue to keep abreast of market hotspots, explore the addition of training courses in the new areas; and continue to improve the promotion channels through the internet, strengthen the cooperation with the colleges so as to attract more students to enrol for the training courses in order to improve the revenue. The decrease in the costs of the division after integration will gradually appear in the second half of 2016.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW AND OUTLOOK *(Continued)*

Cultural Park

The revenue from the Cultural Park division for the three months ended 31 March 2016 amounted to HK\$11,991,000, representing an increase of HK\$370,000 as compared with that of HK\$11,621,000 in the corresponding period in 2015.

During the past year, the division had continuously discussed with the landlord, Pearl River Film Production regarding the development plan and mode of cooperation in respect of the Phase II of the Cultural Park, including but not limited to the extension of the original construction period, reassessment of future development plan of the properties or return interests of the property to Pearl River Film Production at a price to be agreed between the parties, with the aim of achieving a win-win solution. However, on 11 April 2016, the division received a notice of response to action dated 6 April 2016 from the Intermediate People's Court of Guangzhou City of Guangdong Province of the PRC. The details of the legal proceedings are set out in the Company's announcement dated 12 April 2016 and the section headed "Litigation" in this report. The leasing revenue of the Phase I of the Cultural Park is not currently affected by the legal proceedings. The division still continues to review the tenant portfolio and expand outdoor leasing areas of the concourse regularly, which are expected to effectively raise the rental income.

LITIGATION

On 11 April 2016, 廣東環球數碼創意產業有限公司 ("Guangdong Cultural Park"), an indirectly non wholly-owned subsidiary of the Company, received a notice of response to action (the "Notice of Response to Action") from the Intermediate People's Court of Guangzhou City of Guangdong Province of the PRC dated 6 April 2016. It was set out in the Notice of Response to Action that Pearl River Film Production as the plaintiff (the "Plaintiff") has initiated legal proceedings against Guangdong Cultural Park in respect of an alleged breach of "珠影文化產業園—改造建設合作框架協議及其補充協議" (The Framework Agreement and its Supplementary Agreements of the Reconstruction of the Pearl River Film Cultural Park*) (the "Alleged Breach"). The Plaintiff has applied for confirmation of the cancellation of the Framework Agreement, rejected to refund a deposit of RMB20,000,000 to Guangdong Cultural Park and claimed for compensation of damages in the form of economic loss in the amount of RMB75,778,693.94 resulting from the Alleged Breach.

LITIGATION *(Continued)*

The court hearing will be fixed on 24 May 2016. Based on the legal advice from the PRC Legal Advisors received by Guangdong Cultural Park, Guangdong Cultural Park has reasonable grounds for defending in the legal proceedings. Accordingly, the Group has yet to consider making any provision for any potential liability in the unaudited condensed consolidated statement of profit or loss and other comprehensive income of the Group. As at the date of this report, the outcome of the legal proceedings is yet to be determined. The Group is monitoring the progress and development of the legal proceedings and will consider to make provision for any potential liability if and when appropriate. The Group will make further announcement(s) to keep its shareholders informed of any material developments in this regard.

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 2016.

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

As at 31 March 2016, 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	185,988,200	-	185,988,200	12.25%
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%

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

Save as disclosed above, as at 31 March 2016, 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 2016 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 2016, 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 <i>(Note)</i>	40.78%
Wheeling Holdings Limited ("Wheeling")	Interests of controlled corporations	619,168,023 <i>(Note)</i>	40.78%
Shougang Concord Grand (Group) Limited ("Shougang Grand")	Interests of controlled corporations	619,168,023 <i>(Note)</i>	40.78%
Upper Nice Assets Ltd. ("Upper Nice")	Beneficial owner	619,168,023 <i>(Note)</i>	40.78%

SUBSTANTIAL SHAREHOLDERS *(Continued)*

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 2016, 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 2016, 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 2016.

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 2016.

AUDIT COMMITTEE

The Group's first quarterly results for the three months ended 31 March 2016 were unaudited. The Company's audit committee (the "Audit Committee") has reviewed the 2016 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 2016.

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, 11 May 2016