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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)

PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES

Placing agent



Kingsway Financial Services Group Limited

Financial adviser



Kingsway Capital Limited

THE PLACING AND SUBSCRIPTION AGREEMENT

On 3 May 2004, the Subscriber and the Company entered into the Placing and Subscription Agreement with the Placing Agent, pursuant to which the Placing Agent would on a best effort basis procure purchasers to acquire, and the Subscriber would sell up to a maximum of 78,000,000 existing Shares at a price of HK\$0.42 per Share. As at the date of this announcement, the Placing Agent placed 20,820,000 Shares and no further Placing Shares will be placed after this.

The placing price of HK\$0.42 per Share represents a discount of approximately 6.67% to the closing price per Share of HK\$0.45 on 3 May 2004 (being the last trading day prior to suspension of trading in the Shares pending the release of this announcement) and a discount of approximately 7.49% to the average closing price per Share of approximately HK\$0.454 as quoted on the Stock Exchange for the last 5 trading days up to and including 3 May 2004.

* For identification purpose only

The Placing Shares represent approximately 2.67% and 2.60% of the existing issued share capital of the Company and the issued share capital of the Company as enlarged by the Subscription respectively. Upon completion of the Placing, the shareholding percentage of the Subscriber and parties acting in concert with him in the Company will decrease from approximately 52.63% to approximately 49.96 %.

The Placing Shares will be placed to not less than six independent professional, institutional and/or individual investors.

THE SUBSCRIPTION

Pursuant to the Placing and Subscription Agreement, the Subscriber has conditionally agreed to subscribe for such number of new Shares equivalent to the number of Shares placed under the Placing, up to a maximum of 78,000,000 new Shares, at the subscription price of HK\$0.42 per Share. As at the date of this announcement, the Placing Agent had procured purchasers to acquire 20,820,000 existing Shares. The Subscriber will subscribe 20,820,000 new Shares, representing approximately 2.60% of the issued share capital of the Company as enlarged by the Subscription. Immediately upon completion of the Subscription, the shareholding of the Subscriber and the parties acting in concert with him in the Company will increase from approximately 49.96% to approximately 51.26%.

The net proceeds from the Subscription are estimated to be approximately HK\$8.3 million and will be applied as general working capital.

Completion of the Subscription is conditional upon, inter alia, the GEM Listing Committee granting the listing of and, permission to deal in, the new Shares to be issued under the Subscription.

An application will be made to the GEM Listing Committee for the listing of, and permission to deal in, the new Shares to be issued pursuant to the Subscription.

SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES

At the request of the Company, trading in the Shares has been suspended with effect from 9:30 a.m. on 4 May 2004 pending the issue of this announcement. Application has been made by the Company for the resumption of trading in the Shares with effect from 9:30 a.m. on 6 May 2004.

THE PLACING AND SUBSCRIPTION AGREEMENT DATED 3 MAY 2004

1. THE PLACING

1.1 Parties

Vendor: Anthony Neoh

Placing agent: Kingsway Financial Services Group Limited

As at the date of this announcement, Cyber Prime Developments Limited, a fellow subsidiary of the Placing Agent, is interested in 5.34% of the existing issued share capital of the Company. Save as disclosed above, the Placing Agent is not a connected person (as defined in the GEM Listing Rules) of the Company and is independent from the directors, the chief executive, the substantial shareholders or the management shareholders of the Company or its subsidiaries and/or their respective associates. The Placing Agent will receive a placing commission of 2.0% of the aggregate Placing Price multiplied by the Placing Shares successfully placed out under the Placing.

1.2 The Placing Shares

20,820,000 existing Shares, representing approximately 2.67% of the existing issued share capital of the Company and approximately 2.60% of the issued share capital of the Company as enlarged by the Subscription.

1.3 The Placing Price

The placing price of HK\$0.42 per Share was arrived at after arm's length negotiation between the Company, the Subscriber and the Placing Agent.

The Placing Price represents a discount of approximately 6.67% to the closing price of HK\$0.45 per Share as quoted on the GEM on 3 May 2004 (being the last trading day prior to suspension of trading in the Shares pending the release of this announcement) and a discount of approximately 7.49% to the average closing price of approximately HK\$0.454 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including 3 May 2004. The net placing price per Share (after deduction of all expenses) is approximately HK\$0.40.

With respect to the discount to the market price per Share, the Directors have taken into account the closing prices of Shares as shown above and considered that the Placing Price is fair and reasonable.

1.4 Rights of the Placing Shares

The Placing Shares will be sold free from all liens, charges and encumbrances, claims, options and third party rights and together with all rights attaching thereto as at the Placing Completion Date, including the right to receive all dividends or other distributions declared, made or paid on the Placing Shares at any time on or after the Placing Completion Date.

1.5 Independence of placees

The placees (and their beneficial owners) will not be acting in concert with Anthony Neoh and his concert parties and will not be connected persons (as defined in the GEM Listing Rules) of the Company and will be independent from the directors, the chief executive, the substantial shareholders or the management shareholders of the Company or its subsidiaries and/or their respective associates.

All the Placing Shares are to be placed on a best effort basis and the Placing is expected to be completed on or about 10 May 2004. The Placing Agent informed the Company that there will be not less than six placees who are (i) professional and institutional investors which term generally includes brokers, dealers and companies (including fund managers), whose ordinary business involves dealing in shares and other securities; (ii) corporate entities which regularly invest in shares and other securities; and (iii) individuals.

None of the Placees will become substantial shareholders (as defined in the GEM Listing Rules) of the Company as a result of their acquisition of Placing Shares pursuant to the Placing.

1.6 Completion of the Placing Agreement

The Placing is not subject to any condition. The parties expect that the Placing will be completed on or about 10 May 2004.

2. THE SUBSCRIPTION

2.1 Parties

- (a) Anthony Neoh; and
- (b) the Company.

2.2 The new Shares

20,820,000 new Shares, representing approximately 2.67% of the existing issued share capital of the Company and approximately 2.60% of the issued share capital of the Company as enlarged by the Subscription.

2.3 The Subscription Price

The subscription price of HK\$0.42 per Share which is equivalent to the Placing Price.

2.4 General mandate to issue new Shares

The 20,820,000 new Shares will be issued pursuant to the General Mandate. The Company has not issued any Shares pursuant to the General Mandate.

An application will be made to the GEM Listing Committee for the listing of, and permission to deal in, the new Shares to be issued pursuant to the Subscription.

2.5 Ranking of the new Shares

The 20,820,000 new Shares, when issued and fully paid, will rank equally with the existing Shares in issue as at the date of issue of the new Shares.

2.6 Conditions of the Subscription

Completion of the Subscription is conditional upon:

- (a) completion of the Placing; and
- (b) the GEM Listing Committee granting the listing of, and permission to deal in, the new Shares to be issued pursuant to the Subscription.

2.7 Completion of the Subscription

Subject to fulfillment of the above conditions, completion of the Subscription will take place on or before the third business day after the date when all the conditions set out above are satisfied. If the Subscription is not completed within 14 days after the date of the Placing and Subscription Agreement (being 17 May 2004), the Subscription would constitute a connected transaction for the Company under the GEM Listing Rules and shareholders' approval will be required for the Subscription and the relevant provisions of the GEM Listing Rules in relation to connected transaction will apply. In the event that the Subscription is not completed within 14 days after the date of the Placing and Subscription Agreement, the Company and the Subscriber undertake to make further announcement as soon as practicable. In the event that the conditions referred to in the paragraph headed "Conditions of the Subscription" above not having been fulfilled on or before 31 May 2004 (or such later date as may be agreed by the parties hereto), all rights, obligations and liabilities of the parties under the Placing and Subscription Agreement in relation to the Subscription shall cease and determine and none of the parties shall have any claim against any other in respect of the Subscription.

3. EFFECT ON THE SHAREHOLDING FOLLOWING COMPLETION OF THE PLACING AND THE SUBSCRIPTION

The shareholding in the Company before and after completion of the Placing and the Subscription are summarised as follows:

Shareholders	Shareholding as at the date of this announcement		Shareholding immediately after completion of the Placing but before the Subscription		Shareholding immediately after completion of the Placing and the Subscription	
	Shares	%	Shares	%	Shares	%
Mr. Anthony Neoh	124,974,230	16.02	104,154,230	13.35	124,974,230	15.60
Upflow Holdings Limited (<i>Note 1&2</i>)	214,122,516	27.45	214,122,516	27.45	214,122,516	26.74
Forward Strategic Investments Limited (<i>Note 1</i>)	61,015,197	7.82	61,015,197	7.82	61,015,197	7.62
Mr. Christopher Paul Neoh (<i>Note 3</i>)	10,414,519	1.34	10,414,519	1.34	10,414,519	1.30
<i>Sub total</i>	410,526,462	52.63	389,706,462	49.96	410,526,462	51.26
Other Shareholders	369,473,538	47.37	369,473,538	47.37	369,473,538	46.14
Other Placees	0	0.00	20,820,000	2.67	20,820,000	2.60
Total	780,000,000	100.00	780,000,000	100.00	800,820,000	100.00

Note:

- (1) The 61,015,197 Shares were held by Forward Strategic Investments Limited, a wholly-owned subsidiary of Global Digital Creations Limited, which is in turn owned as to approximately 32.4% by Upflow Holdings Limited which is wholly-owned by Mr. Raymond Dennis Neoh (a younger brother of Mr. Anthony Neoh).
- (2) The 214,122,516 Shares were held by Upflow Holdings Limited, which is wholly owned by Mr. Raymond Dennis Neoh. (a younger brother of Mr. Anthony Neoh).
- (3) Mr. Christopher Paul Neoh is a younger brother of Mr. Anthony Neoh.

4. REASONS FOR THE PLACING AND THE SUBSCRIPTION AND USE OF PROCEEDS

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are engaging in the integration of the entire value chain in the digital content business, encompassing creation, production (for its own projects and projects contracted to it by third parties) and distribution of digital contents, in order to meet two developing global trends of (i) strong continuing growth in demand for digital contents, particularly computer graphics imaging; and (ii) a paradigm shift from a chemical film based medium to an electronic, digital medium in the cinema industry.

The net proceeds from the Subscription are estimated to be approximately HK\$8.3 million and will be applied as general working capital. The total cost incurred as a result of the Placing and the Subscription is expected to be approximately HK\$0.4 million and will be borne by the Company. The net subscription price per Share (after deduction of all expenses) is approximately HK\$0.40.

The Directors consider that the Placing and issue of new Shares under the Subscription under the General Mandate requires a shorter time than other equity fund raising exercises. Although the Subscription would lead to a dilution in the shareholding of the existing shareholders, the Directors consider that the benefits of the Placing and the Subscription outweigh the dilution effect resulting from the Placing and the Subscription.

Save for the net proceeds amounted to approximately HK\$53.3 million raised from the listing of the Shares on GEM on 4 August 2003, the Directors confirm that there has been no other equity funding raising exercise conducted by the Company since 4 August 2003 up to the date of this announcement. The Directors confirm that, as at the date of this announcement, there is no material deviation for the use of the proceeds as disclosed in the announcement dated 26 February 2004.

5. SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES

At the request of the Company, trading in the Shares has been suspended with effect from 9:30 a.m. on 4 May 2004 pending the issue of this announcement. Application has been made by the Company for the resumption of trading in the Shares with effect from 9:30 a.m. on 6 May 2004.

6. BOARD OF DIRECTORS

As of the date of this announcement, the composition of the Board comprised Mr. Anthony Francis Neoh (Chairman and non-executive Director); Dr. David Deng Wei (Vice-Chairman and non-executive Director); Mr. Raymond Dennis Neoh, Mr. Richard Yin Yingneng (executive Directors); Mr. Stephen Scharf (non-executive Director); Mr. Gordon Kwong Che Keung, Professor Japhet Sebastian Law and Dato' Mohd Ibrahim bin Mohd Zain (independent non-executive Directors).

7. DEFINITIONS

“Anthony Neoh” or “Subscriber”	Anthony Francis Neoh, the chairman of the Board, a non-executive Director and an initial management shareholder
“acting in concert”	has the meaning defined in the Hong Kong Code on Takeovers and Mergers
“associate”	has the meaning as defined in the GEM Listing Rules
“Board”	the board of Directors

“Company”	Global Digital Creations Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the GEM
“connected persons”	has the meaning as defined in the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted to the Directors at the annual general meeting of the Company held on 20 April 2004
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“GEM”	The Growth Enterprise Market of the Stock Exchange
“GEM Listing Committee”	the listing sub-committee of the board of the Stock Exchange with responsibility for GEM
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Kingsway Capital”	Kingsway Capital Limited, financial adviser to the Company, which is a deemed licensed corporation under the SFO to conduct Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities
“Placees”	any individual(s), institutional or other professional investor(s) or any of their respective subsidiaries or associates (as defined in the GEM Listing Rules) procured by the Placing Agent to purchase for any of the Placing Shares pursuant to the Placing and Subscription Agreement
“Placing”	placement of the Placing Shares pursuant to the Placing and Subscription Agreement
“Placing Agent”	Kingsway Financial Services Group Limited, the placing agent to the Subscriber for the placing of the Placing Shares
“Placing and Subscription Agreement”	the placing and subscription agreement dated 3 May 2004 between the Company, the Subscriber, Kingsway Capital and the Placing Agent in respect of the Placing

“Placing Completion Date”	10 May 2004, or such other time as the Subscriber and the Placing Agent shall agree
“Placing Price”	price payable for the Placing Shares at HK\$0.42 per Share
“Placing Shares”	the 20,820,000 existing Shares placed under the Placing
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the conditional subscription by the Subscriber of 20,820,000 new Shares pursuant to the Placing and Subscription Agreement
“Subscription Price”	price payable for the new Shares in respect of the Subscription at HK\$0.42 per Share
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“%”	per cent.

By Order of the Board
Global Digital Creations Holdings Limited
Raymond Dennis Neoh
Director

Hong Kong, 5 May 2004

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange 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: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of its posting and the Company’s website at www.gdc-world.com.