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## **THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Global Digital Creations Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser, the transferee or to the bank, licensed securities dealer or other agent through whom the sale or the transfer was effected for onward transmission to the purchaser or the transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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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)**

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION RELATING TO THE  
PROPOSED ACQUISITION OF 100%  
INTEREST IN SHOUGANG GDC MEDIA HOLDING LIMITED  
AND  
(2) PROPOSED GRANT OF OPTIONS UNDER THE GDC TECH  
SHARE OPTION SCHEME**

**Financial adviser to Global Digital Creations Holdings Limited**



**CIMB-GK Securities (HK) Limited**

**Independent financial adviser to the Independent Board Committee and the Independent Shareholders**

**OSK Asia Capital Limited**

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A letter from the Board is set out on pages 4 to 10 of this circular. A letter from the Independent Board Committee is set out on pages 11 to 12 of this circular. A letter from OSK, the independent financial adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 13 to 17 of this circular.

A notice convening the SGM to be held at JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Tuesday, 30 October 2007 at 10:30 a.m. is set out on pages 26 to 27 of this circular. A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit with the Hong Kong branch share registrars and transfer office of the Company, Tricor Standard Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting (as the case may be) should you so wish.

*This circular will remain on the GEM website at <http://www.hkgem.com> on the "Latest Company Announcements" page for at least seven days from the date of its posting.*

\* For identification purpose only

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## CHARACTERISTICS OF GEM

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GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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## DEFINITIONS

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*In this circular, the following expressions have the meanings set out below unless the context requires otherwise:*

“associates”	has the meaning as ascribed to it under the GEM Listing Rules
“Acquisition”	the acquisition by GDC Holdings of the Sale Share pursuant to the terms and conditions of the Agreement
“Agreement”	the agreement dated 14 August 2007 entered into between Shougang Holding and GDC Holdings in relation to the Acquisition as more particularly set out under the section headed “ACQUISITION” of this circular
“Board”	the board of Directors
“Company”	Global Digital Creations Holdings Limited, a company incorporated in Bermuda with limited liability whose securities are listed on GEM
“Completion”	completion of the Agreement
“connected person(s)”	has the meaning as ascribed to it under in the GEM Listing Rules
“Consideration”	the consideration of HK\$42,000,000
“China Film”	China Film Group Corporation (中國電影集團公司), a company incorporated in the PRC, a third party independent of each of the Company, SCG and their respective connected persons
“Deposit”	part of the Consideration, being HK\$41,500,000, paid within one month from the date of the Agreement
“Director(s)”	the director(s) of the Company
“GDC Holdings”	GDC Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“GDC Tech”	GDC Technology Limited, a company incorporated in the British Virgin Islands with limited liability and a 51.08% owned subsidiary of the Company as at the Latest Practicable Date
“GDC Tech Options”	options to subscribe for 12,000,000 GDC Tech Shares at the subscription price of HK\$2.00 per GDC Tech Share
“GDC Tech Share(s)”	ordinary shares of HK\$0.1 each in the share capital of GDC Tech

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## DEFINITIONS

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“GDC Tech Share Option Scheme”	the share option scheme adopted by GDC Tech on 19 September 2006
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM and any amendments thereto
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the committee of the Board comprising Mr. Kwong Che Keung, Gordon, Professor Bu Fan Xiao and Mr. Hui Hung, Stephen, being the independent non-executive Directors, formed to advise the Independent Shareholders in respect of the Agreement and the transaction contemplated therein
“Independent Shareholders”	the Shareholders other than Shougang Holding and its associates
“Latest Practicable Date”	8 October 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange and any amendments thereto
“OSK”	OSK Asia Capital Limited, a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities for the purpose of the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition
“PRC”	the People’s Republic of China but excluding, for the purposes of the Agreement and this circular, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Media JV”	中影首鋼環球數碼數字影院建設(北京)有限公司 (CFGDC Digital Cinema Company Limited), a sino-foreign joint venture incorporated in the PRC and is owned as to 49% by Shougang GDC Media and 51% by China Film
“Sale Share”	one share of HK\$1.00 each in the share capital of Shougang GDC Media, being the entire issued share capital of Shougang GDC Media

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## DEFINITIONS

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“SCG”	Shougang Concord Grand (Group) Limited, a company incorporated in Bermuda with limited liability whose securities are listed on the main board of the Stock Exchange and the holding company of the Company
“SCG Group”	SCG and its subsidiaries
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held at JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Tuesday, 30 October 2007 at 10:30 a.m. for the purpose of approving (i) the Agreement and the transactions contemplated therein; and (ii) the grant of the GDC Tech Options
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholders”	holders of the Share(s)
“Shougang GDC Media”	Shougang GDC Media Holding Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Shougang Holding as at the Latest Practicable Date
“Shougang Holding”	Shougang Holding (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and the controlling shareholder of SCG
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

*In this circular, conversion of RMB into HK\$ is based on the exchange rate of RMB1.00 = HK\$1.03. No representation is made that any amount in HK\$ could have been or could be converted at the above rate or at any other rates or at all.*

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## LETTER FROM THE BOARD

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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)**

*Directors:*

Mr. Cao Zhong (*Chairman*)  
Mr. Chen Zheng (*Managing Director*)  
Mr. Jin Guo Ping (*Deputy Managing Director*)  
Dr. Xu Qing, Catherine (*Deputy Managing Director*)  
Ms. Lu Yi, Gloria (*Deputy Managing Director*)  
Mr. Leung Shun Sang, Tony (*Non-executive Director*)  
Mr. Kwong Che Keung, Gordon  
(*Independent non-executive Director*)  
Professor Bu Fan Xiao (*Independent non-executive Director*)  
Mr. Hui Hung, Stephen (*Independent non-executive Director*)

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

*Principal place of business  
in Hong Kong:*

6th Floor  
Bank of East Asia Harbour View Centre  
56 Gloucester Road  
Wanchai, Hong Kong

11 October 2007

*To the Shareholders*

Dear Sir or Madam,

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION RELATING TO THE  
PROPOSED ACQUISITION OF 100% INTEREST IN  
SHOUGANG GDC MEDIA HOLDING LIMITED  
AND**

**(2) PROPOSED GRANT OF OPTIONS UNDER GDC TECH SHARE OPTION SCHEME**

**INTRODUCTION**

On 14 August 2007, GDC Holdings, a wholly-owned subsidiary of the Company entered into the Agreement with Shougang Holding for the acquisition of 100% interest in the issued share capital of Shougang GDC Media for the Consideration of HK\$42 million which was paid as to HK\$41.5 million as deposit within one month from the date of the Agreement and will be paid as to HK\$0.5 million at the Completion. The sole asset of Shougang GDC Media is its 49% interest in PRC Media JV, which is principally engaged in the deployment of digital cinema network and related businesses in the PRC. In accordance with the Agreement, the Deposit has been injected into Shougang GDC Media as interest-free shareholder's loan, which will be assigned to GDC Holdings at Completion at nil consideration.

\* For identification purpose only

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## LETTER FROM THE BOARD

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The Acquisition constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules. As Shougang Holding held an approximately 40.45% interest in SCG, which in turn, held approximately 50.76% interest in the Company as at the date of the Agreement, Shougang Holding is a connected person of the Company, and the Acquisition also constitutes a connected transaction for the Company and is subject to the approval of the Independent Shareholders by way of poll at the SGM. Shougang Holding and its associates are required to abstain from voting at the SGM to approve the Agreement and the transactions contemplated therein.

On 20 August 2007, GDC Tech proposed to grant under the GDC Tech Share Option Scheme the GDC Tech Options to Ms. Lu Yi, Gloria, an executive Director to subscribe for an aggregate of 12,000,000 GDC Tech Shares, at a subscription price of HK\$2.00 per GDC Tech Share exercisable during the five-year period after granting of the GDC Tech Options. As at the Latest Practicable Date, the GDC Tech Options, if fully exercised, would represent approximately 6.76% of the existing issued share capital of GDC Tech and approximately 6.33% of the issued share capital of GDC Tech as enlarged by the GDC Tech Options. The proposed granting of the GDC Tech Option is made conditional upon completion of the subscription agreement dated 14 August 2007 entered into between GDC Holdings and GDC Tech in relation to the subscription of 53,388,178 new GDC Tech Shares.

As the total number of GDC Tech Shares to be issued upon fully exercise of the GDC Tech Options by Ms. Lu Yi, Gloria will exceed 1% of the issued share capital of GDC Tech, pursuant to Rule 23.03(4) of the GEM Listing Rules, the proposed grant of the GDC Tech Options is subject to the approval by the Shareholders. Ms. Lu Yi, Gloria and her associates are required to abstain from voting at the SGM to approve the grant of the GDC Tech Options.

The purpose of this circular is to give you with further details of the Acquisition and the GDC Tech Options, together with, among other things, a notice of the SGM.

### **A. ACQUISITION**

#### **THE AGREEMENT DATED 14 AUGUST 2007**

##### **Parties**

Purchaser: GDC Holdings, a wholly-owned subsidiary of the Company

Vendor: Shougang Holding

##### **Asset to be acquired**

The Sale Share is the entire issued share capital of Shougang GDC Media. The sole asset of Shougang GDC Media is its 49% interest in PRC Media JV, which is principally engaged in the deployment of digital cinema network and related businesses in the PRC. The remaining 51% interest in PRC Media JV is owned by China Film.



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## LETTER FROM THE BOARD

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### Consideration

HK\$42 million, which was/will be settled:–

- as to HK\$41.5 million, being the Deposit, paid within one month from the date of the Agreement; and
- as to the balance of HK\$0.5 million, to be payable at Completion.

In accordance with the terms of the Agreement, the Deposit has been injected into Shougang GDC Media as an interest-free shareholder's loan and was used as to RMB19.6 million by Shougang GDC Media as its 49% committed registered capital for PRC Media JV, with the remaining balance as working capital of Shougang GDC Media. The interest-free shareholder's loan will be assigned to GDC Holdings at Completion at nil consideration.

The Consideration was determined after arm's length negotiation between the parties based on normal commercial terms with reference to the 49% capital requirements in the registered capital of PRC Media JV and the working capital requirements of Shougang GDC Media in future. The Company finances the Consideration from part of the placing proceeds raised from the share placement announced by the Company on 4 July 2007.

The Directors consider that the terms of the Agreement are fair and reasonable so far as the Company and its Shareholders are concerned.

### Conditions to Completion

Completion of the Agreement shall be conditional upon:

- (a) the passing of an ordinary resolution by the Independent Shareholders by way of poll at the special general meeting of each of the Company and SCG to approve the Agreement and the transactions contemplated therein in compliance with the Listing Rules and the GEM Listing Rules;
- (b) the establishment of PRC Media JV being approved by the relevant PRC government authorities; and
- (c) the business licence of PRC Media JV being issued by the State Administration for Industry and Commerce of the PRC.

Completion will take place on the third business day following the fulfillment of all condition precedents of the Agreement. If any of the above conditions are not fulfilled on or before 31 December 2007 or such other date as may be agreed between the parties, the Agreement shall forthwith become null and void and cease to have any effect whatsoever and neither party shall have any claims against the other for costs, damages, compensations or otherwise (save for any antecedent breach). If the Agreement becomes null and void, the Deposit shall be forthwith refunded by Shougang Holding to GDC Holdings together with an interest calculated at a rate of 6% per annum. As at the Latest Practicable Date, conditions (b) and (c) above have been fulfilled.

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## LETTER FROM THE BOARD

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### INFORMATION ON SHOUGANG GDC MEDIA AND PRC MEDIA JV

#### Shougang GDC Media

Shougang GDC Media is a special purpose vehicle established with an aim of holding the interest in PRC Media JV and was incorporated on 19 January 2007 in Hong Kong. The sole asset of Shougang GDC Media is its 49% interest in PRC Media JV. PRC Media JV is a sino-foreign equity joint venture established in the PRC on 30 August 2007 with terms of 10 years. PRC Media JV is owned as to 49% by Shougang GDC Media and 51% by China Film. PRC Media JV is principally engaged in the deployment of digital cinema network and related businesses in the PRC. The total capital commitment of Shougang GDC Media in PRC Media JV is RMB19.6 million (equivalent to approximately HK\$20.2 million), representing 49% of the registered capital of PRC Media JV.

#### REASONS FOR THE ACQUISITION

The SCG Group is principally engaged in property investment and management, provision of financial services and provision of cultural recreation content. The Group is principally engaged in the digital content business, encompassing creation, production and distribution of digital content. On 31 October 2006, the Company announced that its wholly-owned subsidiary entered into a co-operation agreement with China Film to jointly promote digital cinema business in the PRC. The Acquisition represents a further step for the Company to participate in the deployment of digital cinema business in the PRC by participating in the operation of PRC Media JV, which is principally engaged in the deployment of digital cinema network and related businesses in the PRC. The Company will treat its attributable 49% interest in PRC Media JV as a long-term investment, and equity account for its interest in PRC Media JV. With the expertise of the Group in digital content distribution and exhibitions, the Directors consider the Acquisition is in the interest of the Company and the Shareholders as a whole.

#### FINANCIAL EFFECT OF THE ACQUISITION

Immediately upon Completion, the total assets and the total liabilities of the Group will remain unchanged. The Company considers that there will not be any material effect on the earnings of the Group immediately upon Completion.

#### REQUIREMENTS OF THE LISTING RULES

The Acquisition constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules. As at the date of the Agreement, as Shougang Holding held an approximately 40.45% interest in SCG, which in turn, held approximately 50.76% interest in the Company, Shougang Holding is a connected person of the Company, and the Acquisition also constitutes a connected transaction for the Company and is subject to the approval of the Independent Shareholders by way of poll at the SGM. Shougang Holding and its associates are required to abstain from voting at the SGM to approve the Agreement and the transactions contemplated therein.

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## LETTER FROM THE BOARD

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### **B. PROPOSED GRANT OF OPTIONS UNDER THE GDC TECH SHARE OPTION SCHEME**

On 20 August 2007, GDC Tech proposed to grant under the GDC Tech Share Option Scheme the GDC Tech Options to Ms. Lu Yi, Gloria, an executive Director to subscribe for an aggregate of 12,000,000 GDC Tech Shares, at a subscription price of HK\$2.00 per GDC Tech Share exercisable during the five-year period after granting of the GDC Tech Options. Save for the GDC Tech Options, no option of GDC Tech was previously granted to Ms. Lu Yi, Gloria. As at the Latest Practicable Date, Ms. Lu Yi, Gloria, has no shareholding in the Company. As at the Latest Practicable Date, the GDC Tech Options, if fully exercised, would represent approximately 6.76% of the existing issued share capital of GDC Tech and approximately 6.33% of the issued share capital of GDC Tech as enlarged by the GDC Tech Options. The proposed granting of the GDC Tech Options is conditional upon completion of the subscription agreement dated 14 August 2007 entered into between GDC Holdings and GDC Tech in relation to the subscription of 53,388,178 new GDC Tech Shares, the Company's interest in GDC Tech will be diluted by about 3.08% from 62.39% to 59.31% upon full exercise of the GDC Tech Options as at the completion of said subscription agreement.

As the total number of GDC Tech Shares to be issued upon fully exercise of the GDC Tech Options by Ms. Lu Yi, Gloria will exceed 1% of the issued share capital of GDC Tech, pursuant to Rule 23.03(4) of the GEM Listing Rules, the proposed grant of the GDC Tech Options is subject to the approval by the Shareholders. Ms. Lu Yi, Gloria and her associates are required to abstain from voting at the SGM to approve the grant of the GDC Tech Options. The proposed grant of the GDC Tech Options has been approved by the independent non-executive Directors under Rule 23.04(1) of the GEM Listing Rules.

### **REASONS FOR THE GRANT OF THE GDC TECH OPTIONS**

Ms. Lu Yi, Gloria is a deputy managing Director of the Company and is primarily responsible for financial strategy of the Group. The Directors consider that the grant of the GDC Tech Options to Ms. Lu Yi, Gloria will serve as an incentive for her commitment and contribution to the Group in the future.

### **INDEPENDENT BOARD COMMITTEE/INDEPENDENT FINANCIAL ADVISER**

An Independent Board Committee has been formed to advise the Independent Shareholders in respect of the terms of the Agreement contemplated in this circular. OSK has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

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## LETTER FROM THE BOARD

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### SGM

The Company will convene the SGM at JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Tuesday, 30 October 2007 at 10:30 a.m. at which ordinary resolutions will be proposed for the purpose of considering and, if thought fit, approving, among other matters, (i) the Agreement and the transactions contemplated therein; and (ii) the grant of GDC Tech Options.

A notice convening the SGM is set out on pages 26 to 27 of this circular. A form of proxy for the SGM and at any adjournment thereof is enclosed herewith. Whether or not you are able to attend the SGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit with the Hong Kong branch share registrars and transfer office of the Company, Tricor Standard Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting (as the case may be) should you so wish.

### PROCEDURE FOR DEMANDING A POLL AT THE SGM

Pursuant to bye-law 66 of the bye-laws of the Company, every resolution submitted to a general meeting shall be determined on a show of hands in the first instance by the Shareholders present in person or (being a corporation) by a duly authorised corporate representative or by proxy, but a poll may be demanded (before or upon the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) by the chairman of the relevant meeting or by:

- (a) at least 3 Shareholders present in person (or in the case of a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (b) a Shareholder or Shareholders present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or
- (c) a Shareholder or Shareholders present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and holding Shares in the Company conferring a right to vote at the meeting, being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right; or
- (d) if required by the rules of the designated stock exchange, any Director or Directors who, individually or collectively, hold proxies in respect of Shares representing 5% or more of the total voting rights at the meeting.

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## LETTER FROM THE BOARD

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### RECOMMENDATIONS

The Directors consider that (i) the terms of the Agreement and the transactions contemplated therein and (ii) the grant of GDC Tech Options are fair and reasonable to the Company and in the interests of its Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders/Shareholders (where appropriate) to vote in favour of the ordinary resolutions to be proposed at the SGM to approve these transactions.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 11 to 12 of this circular and the letter of advice from OSK to the Independent Board Committee and the Independent Shareholders set out on pages 13 to 17 of this circular in relation to the Agreement and the transactions contemplated therein and the principal factors and reasons considered by them in concluding their advice.

The Independent Board Committee, having taken into account the advice of OSK, considers that the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable and in the interest of the Company and its Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve this transaction.

Your attention is also drawn to the general information set out in the appendix of this circular.

Yours faithfully,

By order of the Board of

**GLOBAL DIGITAL CREATIONS HOLDINGS LIMITED**

**Cao Zhong**

*Chairman*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of the letter of recommendation, prepared for the purpose of incorporation in the circular, from the Independent Board Committee to the Independent Shareholders regarding the terms of the Agreement and the transactions contemplated therein.*



### 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)**

11 October 2007

*To the Independent Shareholders*

Dear Sir or Madam,

#### **DISCLOSEABLE AND CONNECTED TRANSACTION RELATING TO THE PROPOSED ACQUISITION OF 100% INTEREST IN SHOUGANG GDC MEDIA HOLDING LIMITED**

We refer to the circular of the Company to the Shareholders dated 11 October 2007 (the “**Circular**”), in which this letter forms a part. Unless the context requires otherwise, capitalised terms used in this letter will have the same meanings given to them in the section headed “Definitions” of the Circular.

We have been authorised by the Board to form the Independent Board Committee to advise the Independent Shareholders on whether the terms of the Agreement and the transactions contemplated therein are fair and reasonable so far as the Independent Shareholders are concerned.

We wish to draw your attention to the letter of advice from OSK, the independent financial adviser (the “**Independent Financial Adviser**”) appointed to advise the Independent Board Committee and the Independent Shareholders of the terms of the Agreement and the transactions contemplated therein as set out on pages 13 to 17 of the Circular and the letter from the Board set out on pages 4 to 10 of the Circular.

\* For identification purpose only

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having considered, among other matters, the factors and reasons considered by, and the opinion of OSK as stated in its letter of advice, we consider that the terms of the Agreement and the transactions contemplated therein are fair and reasonable so far as the Independent Shareholders are concerned and accordingly recommend the Independent Shareholders to vote in favour of the ordinary resolution in relation to the Agreement and the transactions contemplated therein to be proposed at the SGM.

Yours faithfully,  
For and on behalf of the  
Independent Board Committee

**Mr. Kwong Che Keung, Gordon**  
*Independent non-executive  
Director*

**Professor Bu Fan Xiao**  
*Independent non-executive  
Director*

**Mr. Hui Hung, Stephen**  
*Independent non-executive  
Director*

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## LETTER FROM OSK

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*The following is the full text of the letter of advice to the Independent Board Committee and the Independent Shareholders from OSK prepared for incorporation in this circular.*



11/F., Hip Shing Hong Centre,  
55 Des Voeux Road Central, Hong Kong

11 October 2007

*The Independent Board Committee and the Independent Shareholders of  
Global Digital Creations Holdings Limited*

Dear Sirs,

### **DISCLOSEABLE AND CONNECTED TRANSACTION RELATING TO THE PROPOSED ACQUISITION OF A 100% INTEREST IN SHOUGANG GDC MEDIA HOLDING LIMITED**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders with respect to the terms of the Agreement, details of which are set out in the circular of the Company dated 11 October 2007 (the “Circular”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined in the Circular, unless the context requires otherwise.

On 14 August 2007, GDC Holdings, a wholly-owned subsidiary of the Company, entered into the Agreement with Shougang Holding in respect of the acquisition of the entire issued share capital of Shougang GDC Media for a consideration of HK\$42 million. The Acquisition constitutes a discloseable transaction for the Company. As Shougang Holding held an approximately 40.45% interest in SCG, which in turn, held an approximately 50.76% interest in the Company as at the date of the Agreement, Shougang Holding is a connected person of the Company. Accordingly, the Acquisition also constitutes a connected transaction for the Company and is subject to the approval of the Independent Shareholders by way of poll at the SGM. Shougang Holding and its associates are required to abstain from voting at the SGM to approve, among other things, the Agreement and the transactions contemplated thereunder.

The Independent Board Committee comprising all of the independent non-executive Directors, namely Mr Kwong Che Keung, Gordon, Professor Bu Fan Xiao and Mr Hui Hung, Stephen, has been established to advise the Independent Shareholders in respect of the terms of the Agreement. As the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to whether the terms of the Agreement are fair and reasonable so far as the Shareholders are concerned and whether the Acquisition is in the interests of the Company and the Shareholders as a whole.



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## LETTER FROM OSK

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In formulating our opinion, we have relied upon the information, facts and representations contained in the announcement of the Company relating to the Acquisition and the Circular and those supplied or made by the Directors and management of the Group to us. We have assumed that all such information, facts and representations were true and accurate in all respects at the time they were supplied or made and continue to be true and accurate at the date of the Circular and can be relied upon. We have no reason to doubt the truth, accuracy and completeness of such information and representations and have confirmed with the Directors and management of the Group that no material facts have been withheld or omitted from such information and representations.

We have taken all reasonable and necessary steps to comply with the requirements set out in Rule 17.92 of the GEM Listing Rules. We consider that we have been provided with sufficient information to enable us to reach an informed view. We have not, however, conducted any independent verification of the information or any independent in-depth investigation into the business, affairs, financial position or prospects of the Group (including, among others, the Company and GDC Holdings), Shougang GDC Media, PRC Media JV, China Film, Shougang Holding and their respective subsidiaries, associated companies and jointly controlled entities.

### THE ACQUISITION

In formulating our opinion in respect of the Acquisition, we have taken into consideration, among other things, the following principal reasons and factors:

#### **The background of and reasons for the Acquisition**

The Group is principally engaged in digital content business, including creation, production and distribution of digital content. On 31 October 2006, the Company announced that its wholly-owned subsidiary entered into a co-operation agreement (the “Co-operation Agreement”) with China Film jointly to promote digital cinema business in the PRC. Pursuant to the Co-operation Agreement, Institute of Digital Media Technology (Shenzhen) Limited (“IDMT”), the said wholly-owned subsidiary of the Company, and China Film target jointly to promote digital cinema business in the PRC. China Film will be responsible for promoting the installation of digital cinema equipment in the PRC whereas IDMT will be responsible for sourcing the digital cinema equipment. It was stated in the announcement of the Company dated 31 October 2006 that it was the intention of IDMT to purchase digital cinema equipment from GDC Tech. IDMT also intended to engage GDC Tech to provide network management services in respect of digital cinema equipment provided by GDC Tech. Under the Co-operation Agreement, it is aimed at installing at least 700 units of digital cinema equipment at the top 100 cinemas in the PRC by 2007 and at least 2,000 units of digital cinema equipment to cinemas in major cities in the PRC by 2008. IDMT and China Film anticipate that they will share a portion of box office receipts of those cinemas using digital cinema equipment sourced by IDMT. We understand from the Company that IDMT intends to procure the sourcing of the equipment from GDC Tech.

As stated in the “letter from the Board” set out in the Circular, PRC Media JV is a sino-foreign equity joint venture established in the PRC on 30 August 2007 with term of 10 years. PRC Media JV is owned as to 49% by Shougang GDC Media and 51% by China Film. PRC Media JV is principally engaged in the deployment of digital cinema network and related businesses in the PRC. The total capital

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## LETTER FROM OSK

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commitment of Shougang GDC Media in PRC Media JV is RMB19.6 million (equivalent to approximately HK\$20.2 million), representing 49% of the registered capital of PRC Media JV.

Under the Agreement, the Group has agreed to acquire the entire issued share capital of Shougang GDC Media with a view to acquiring the 49% interest in PRC Media JV to carry out the proposed digital cinema business proposed under the Co-operation Agreement. It is stated on China Film's official website that China Film is the only enterprise in the PRC which has the right to import foreign films into the PRC market. We understand from the Company that the sale of digital cinema equipment to cinemas in the PRC and the provision of further management services are key to the business models of the Group. In order to promote the digital cinema business in the PRC, the Directors are of the view that the cooperation with China Film represents a good opportunity for the Group to roll out its business model.

Based on the above, we understand that it is in-line with the business strategy of the Group to acquire the entire issued capital of Shougang GDC Media from Shougang Holding and agree with the Directors that the Acquisition is in the interests of the Company and its Shareholders as a whole.

### **Principle terms of the Acquisition**

Under the Agreement, GDC Holdings has conditionally agreed to acquire the entire issued share capital of Shougang GDC Media for a total consideration of HK\$42 million, of which:

1. HK\$41.5 million, being the Shougang GDC Media Deposit, was paid within one month from the date of the Agreement; and
2. HK\$0.5 million, is payable at Completion.

Completion is subject to the satisfaction or waiver of a number of conditions precedent, including, (1) the Independent Shareholders approving the Acquisition; (2) PRC Media JV being approved by the relevant PRC government authorities; and (3) the business licence of PRC Media JV being issued by the State Administration for Industry and Commerce of the PRC. Independent Shareholders should refer to the letter from the Board set out in the Circular for further details of the Agreement. The Company confirms that conditions (2) and (3) above have been fulfilled as of the Latest Practicable Date. If the Agreement does not complete on or before 31 December 2007 (or such other date as may be agreed between the parties to the Agreement), the Deposit will be refunded by Shougang Holding to GDC Holdings together with interest calculated at a rate of 6% per annum. The Hong Kong dollar deposit rates quoted in South China Morning Post as at the Latest Practicable Date ranged from 0% to 2.65% per annum (from saving to 6 months). The interest rate agreed under the Agreement which may be charged by GDC Holdings in the case where the Agreement does not complete is higher than the Hong Kong dollars deposit rates quoted above.

Pursuant to the Agreement, Shougang Holding has injected the Deposit into Shougang GDC Media by way of an interest-free shareholder's loan, of which RMB19.6 million will be used by Shougang GDC Media to satisfy its commitment to contribute 49% of the registered capital of PRC Media JV. The remaining balance of the shareholder's loan will be used by Shougang GDC Media as working capital. The interest-free shareholder's loan will be assigned by Shougang Holding to GDC Holdings upon Completion.

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## LETTER FROM OSK

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As set out in the letter from the Board, the Consideration was determined after arm's length negotiation between Shougang Holding and GDC Holdings based on normal commercial terms with reference to the 49% of the registered capital of PRC Media JV which will be contributed by Shougang GDC Media and the estimated working capital requirement of Shougang GDC Media and PRC Media JV in future. As mentioned above, out of the total Consideration of HK\$42 million, HK\$41.5 million (representing 98.8% of the total Consideration) has been injected into Shougang GDC Media, the entire interest in which (including the entire issued share capital of Shougang GDC Media and the shareholder's loan made by Shougang Holding to Shougang GDC Media) will be transferred to GDC Holdings pursuant to the Agreement. Effectively, GDC Holdings is paying a fee of HK\$500,000 for Shougang Holding facilitating the establishment of PRC Media JV, representing approximately 1.2% of the total Consideration.

We understand from the Company that Shougang Holding has used its internal resources for the establishment of PRC Media JV, including participating in the negotiations of the terms of the joint venture agreement with China Film and actively participating in the process of obtaining the necessary approvals from the relevant PRC authorities within a relatively short period of time. The Company agreed to the payment of the HK\$500,000 fee after considering the internal resources incurred and work performed by Shougang Holding.

### **Financial implications of the Acquisition**

The Acquisition constitutes only a discloseable and connected transaction for the Company. No pro forma financial information in respect of the Acquisition is required to be prepared by the Company. As mentioned above, the Company believes that it is beneficial to the business development of the Group to acquire an interest in PRC Media JV with a view to establishing a further cooperation with China Film in rolling out the digital cinema business of the Group. As stated previously in this letter, the Directors believe that the Acquisition is important to the roll-out of the Group's digital cinema business model and may help the Group pave way for new revenue generating abilities.

Based on the unaudited management balance sheet of Shougang GDC Media as at 30 September 2007 provided to us by the Company, Shougang GDC Media did not have any material assets and liabilities, save for the HK\$41.5 million cash injected into Shougang GDC Media by way of a shareholder's loan pursuant to the Agreement. The Company has confirmed that there had been no material change to the assets and liabilities of Shougang GDC Media up to the Latest Practicable Date. As the said shareholder's loan will also be assigned by Shougang Holding to GDC Holdings, we agree with the Company that the Acquisition will not have any material effect on the assets and liabilities of the Group immediately upon Completion.

### **CONCLUSION**

Having considered the information and confirmations provided by the Company, the principal reasons and factors, including:

- the business strategy of the Group to roll-out its digital cinema business in the PRC;
- the importance of having China Film as the business partner to the digital cinema business of the Group;

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## LETTER FROM OSK

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- approximately 99% of the Consideration will be injected into Shougang GDC Media which in turn will be sold to the Group; and
- the industry and business prospects in connection with the digital cinema business of the Group,

we are of the view that (1) the terms of the Agreement are fair and reasonable so far as the Shareholders are concerned and are on normal commercial terms (i.e. terms obtained on an arm's length basis) and (2) the Acquisition is in the interests of the Company and the Shareholders as a whole and is incidental to the ordinary and usual course of business of the Group. Accordingly, we advise that the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Agreement and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of  
**OSK Asia Capital Limited**  
**Allen Tze**  
*Director*

*In this letter, amounts expressed in RMB have been translated into HK\$ at RMB1=HK\$1.03 (or otherwise indicated in this letter) for illustrative purposes only. No representation is made that any amount in HK\$ or RMB could have been or can be converted at the above rate or at any other rates.*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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:

1. the information contained in this circular 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 circular misleading; and
3. all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

## 2. DISCLOSURE OF INTERESTS

### (a) Interests and short positions of the Directors in shares and underlying shares of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein; or (c) were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

#### *Long positions in 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			Total interests as to % to the issued share capital of the Company
		Interests in Shares	Interests under equity derivatives*	Total interests	
Cao Zhong	Beneficial owner	8,008,200	–	8,008,200	0.62%
Chen Zheng	Beneficial owner	8,008,200	–	8,008,200	0.62%
Jin Guo Ping	Beneficial owner	–	8,008,200	8,008,200	0.62%
Xu Qing, Catherine	Beneficial owner	8,008,200	–	8,008,200	0.62%
Leung Shun Sang, Tony	Beneficial owner	8,008,200	–	8,008,200	0.62%
Kwong Che Keung, Gordon	Beneficial owner	–	800,820	800,820	0.06%
Bu Fan Xiao	Beneficial owner	–	800,820	800,820	0.06%
Hui Hung, Stephen	Beneficial owner	800,820	–	800,820	0.06%

## APPENDIX

## GENERAL INFORMATION

*Note:*

- \* The relevant interests are unlisted physically settled options granted pursuant to the Company's share option scheme adopted on 18 July 2003 (the "Scheme"). Upon exercise of the share options in accordance with the Scheme, ordinary shares of HK\$0.01 each in the share capital of the Company are issuable. The share options are personal to the respective Directors.

### *Long positions in shares and underlying shares of SCG*

Name of Director	Capacity in which interests are held	Numbers of shares/underlying shares held in SCG			Total interests as to % to the issued share capital of SCG
		Interests in shares	Interests under equity derivatives*	Total interests	
Cao Zhong	Beneficial owner	–	11,368,000	11,368,000	0.99%
Chen Zheng	Beneficial owner	–	11,368,000	11,368,000	0.99%
Leung Shun Sang, Tony	Beneficial owner	8,278,000	11,368,679	19,646,679	1.71%

*Note:*

- \* The relevant interests are unlisted physically settled options granted pursuant to SCG's share option scheme adopted on 7 June 2002 (the "SCG Scheme"). Upon exercise of the share options in accordance with the SCG Scheme, ordinary shares of HK\$0.01 each in the share capital of SCG are issuable. The share options are personal to the respective Directors.

### *Long positions in shares and underlying shares of GDC Tech*

Name of Director	Capacity in which interests are held	Numbers of shares/underlying shares held in GDC Tech			Total interests as to % to the issued share capital of GDC Tech
		Interests in shares	Interests under equity derivatives*	Total interests	
Cao Zhong	Beneficial owner	8,533,334	–	8,533,334	4.81%
Chen Zheng	Beneficial owner	8,533,334	–	8,533,334	4.81%
Xu Qing, Catherine	Beneficial owner	320,000	–	320,000	0.18%
Leung Shun Sang, Tony	Beneficial owner	2,130,000	3,333	2,133,333	1.20%
Kwong Che Keung, Gordon	Beneficial owner	–	1,706,667	1,706,667	0.96%

*Note:*

- \* The relevant interests are unlisted physically settled options granted pursuant to GDC Tech Share Option Scheme. Upon exercise of the share options in accordance with the GDC Tech Share Option Scheme, ordinary shares of HK\$0.10 each in the share capital of GDC Tech are issuable. The share options are personal to the respective Directors.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executives of the Company or their respective associates had any other personal, family, corporate and other interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

**(b) Directors' interests in competing businesses**

As at the Latest Practicable Date, the interests of the Directors in the businesses (other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or any member of the Group) which were considered to compete or were likely to compete, either directly or indirectly, with the businesses of the Group were as follows:

Name of Director	Name of entity whose businesses were considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entity which were considered to compete or likely to compete with the businesses of the Group	Nature of interest of the Director in the entity
Cao Zhong	SCG (Note 1)	Cultural recreation content provision (Note 2)	Vice chairman and managing director
Chen Zheng	SCG (Note 1)	Cultural recreation content provision (Note 2)	Managing director of operations
Leung Shun Sang, Tony	SCG (Note 1)	Cultural recreation content provision (Note 2)	Director

*Notes:*

- (1) SCG indirectly held approximately 50.74% interests in the Company.
- (2) Such businesses may be carried out through its subsidiaries or associates or by way of other forms of investments.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the management shareholders of the Company or any of its subsidiaries or any of their respective associates, had any interest in a business which competed or may compete with the business of the Group.

### 3. SUBSTANTIAL SHAREHOLDERS

- (a) As at the Latest Practicable Date, according to the register kept by the Company pursuant to Section 336 of SFO, the following persons (other than the Directors or chief executive of the Company) had an interest or short position in the shares and the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of the Divisions 2 and 3 of Part XV of the SFO:

*Long positions in the Shares*

Name of shareholder	Capacity in which interests are held	Number of Shares held in the Company	Interest as to % to the issued share capital of the Company
Shougang Holding	Interests of controlled corporations	656,790,023 (Note)	50.74%
SCG	Interests of controlled corporations	656,790,023 (Note)	50.74%
Upper Nice Assets Ltd. ("Upper Nice")	Beneficial owner	656,360,023 (Note)	50.71%
Keywise Capital Management (HK) Limited	Investment manager	97,842,000	7.56%
Keywise Greater China Opportunities Master Fund	Beneficial owner	69,474,000	5.37%

*Notes:* Upper Nice was an indirectly wholly-owned subsidiary of SCG which was held as to approximately 40.45% by Shougang Holding. The interest held by Upper Nice was included in the interests held by both of SCG and Shougang Holding.



- (b) As at the Latest Practicable Date, so far as is known to any Director, the following persons and companies were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or had any option in respect of such capital:

Name of registered shareholder	Name of beneficial owner	Name of member of the Group	% of attributable interest
Greater Appeal Investments Limited (“Greater Appeal”)	Greater Appeal	GDC Tech	29.51%
Greater Appeal	Greater Appeal	GDC Technology Pte Limited	29.51% (Note)
Greater Appeal	Greater Appeal	GDC Technology China Limited	29.51% (Note)
Greater Appeal	Greater Appeal	GDC Technology (Hong Kong) Limited	29.51% (Note)
Greater Appeal	Greater Appeal	深圳市環球數碼科技有限公司	29.51% (Note)

Note:

Each of GDC Technology Pte Limited, GDC Technology China Limited, GDC Technology (Hong Kong) Limited and 深圳市環球數碼科技有限公司 was held as to 100% by GDC Tech. As GDC Tech was held as to 29.51% by Greater Appeal, each of GDC Technology Pte Limited, GDC Technology China Limited, GDC Technology (Hong Kong) Limited and 深圳市環球數碼科技有限公司 was deemed to be held as to 29.51% by Greater Appeal.

- (c) Save as disclosed above, the Directors and chief executives of the Company were not aware of any person who has an interest or short position in the shares, or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

#### 4. LITIGATION

On 14 May 2003, GDC Entertainment Limited (“GDC Entertainment”), a wholly-owned subsidiary of the Company, entered into a co-production agreement (the “Co-production Agreement”) with Westwood Audiovisual and Multimedia Consultants, Inc. (“WAMC”) and Production and Partners Multimedia, SAS (“P&PM”), in which the Group has a 25% equity interest, in relation to an animated television series.

In about November 2004, P&PM and WAMC commenced proceedings against GDC Entertainment in the Court of Commerce of Angoulême (France) alleging breaches on the part of GDC Entertainment of the Co-production Agreement (the “French Proceedings”).

In relation to the French Proceedings, the Group's French legal advisers have advised that the enforcement of P&PM's and WAMC's claims should only be limited to the assets of GDC Entertainment.

Further, arbitration proceedings were commenced by GDC Entertainment against P&PM and WAMC in Hong Kong by way of a notice of arbitration dated 16 June 2005 issued pursuant to the Co-production Agreement. In the arbitration, issues had been raised by GDC Entertainment as to whether P&PM and/or WAMC was in repudiatory breach of the Co-production Agreement which entitled GDC Entertainment to terminate the same claim of damages from P&PM and WAMC. Pleadings have not yet been exchanged in the arbitration. P&PM and WAMC have applied to the arbitrator for the determination of a preliminary issue as to whether the arbitrator has jurisdiction to hear the dispute which GDC Entertainment will refer to the arbitrator in the arbitration. The hearing of the application was held on 20 January 2006. Award of the arbitrator was published on the Issue of Jurisdiction on 23 March 2006 dismissing the application, and made an order for costs in GDC Entertainment's favour in respect of the application. Since then, there has been no further step taken by the parties apart from recently. GDC Entertainment has written to the arbitrator seeking directions for the further conduct of the arbitration, including the service of pleadings in the arbitration. GDC Entertainment is still waiting to hear from the arbitrator as to how she would like to proceed with the arbitration.

The Directors are of the opinions that settlement of the claim is remote. Accordingly, no provision for any potential liability has been made in the condensed consolidated financial statements for the six months ended 30 June 2007.

## **5. SERVICE CONTRACTS**

At the Latest Practicable Date, none of the Directors has entered, or proposed to enter, into a service contract with any member of the Group which does not expire or is not determinable by the relevant member of the Group within one year without compensation, other than statutory compensation.

## **6. NO MATERIAL ADVERSE CHANGE**

The Directors confirmed there is no material adverse change in the financial or trading prospect of the Group since 31 December 2006, the date to which the latest audited consolidated financial statements of the Group were made up and up to the Latest Practicable Date.

## **7. EXPERT AND CONSENT**

<b>Name</b>	<b>Qualification</b>
OSK	a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

OSK has given, and has not withdrawn, its written consent to the issue of this circular with the inclusion herein of its letter and/or references to its name, in the form and context in which it appears.

As at the Latest Practicable Date, OSK was not interested in any Share or share in any member of the Group nor did it have any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Share or share in any member of the Group.

As at the Latest Practicable Date, OSK did not have any direct or indirect interest in any asset which have been, since 31 December 2006, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group or which are proposed to be acquired or disposed of by or leased to any member of the Group.

#### **8. INTERESTS IN ASSETS AND/OR CONTRACTS AND OTHER INTERESTS**

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been, since 30 June 2007, being the date to which the latest published results announcement of the Company were made up, acquired or disposed of, by or leased to any member of the Group or are proposed to be acquired or disposed of, by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which is significant in relation to the business of the Company.

#### **9. GENERAL**

- (a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the principal place of business of the Company in Hong Kong is at 6th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (b) The Company's principal share registrars and transfer office is The Bank of Bermuda Limited, Bank of Bermuda Building, 6 Front Street, Hamilton HM11, Bermuda and the Hong Kong branch share registrars and transfer office of the Company is Tricor Standard Limited, 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (c) The company secretary of the Company is Ms. Cheng Man Ching, who is a fellow member of each of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Company Secretaries and an associate member of the Hong Kong Institute of Bankers, and holds a master degree in business administration and a master degree of arts.
- (d) The qualified accountant of the Company is Mr. Chiu Ming Kin, who is an associate member of The Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants and holds a bachelor degree of arts in accountancy.
- (e) The compliance officer of the Company is Mr. Chen Zheng who is also the Managing Director.

- (f) The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group, and to review the Company's annual report, half-yearly reports and quarterly reports and to provide advice and comments thereon to the Board. The audit committee comprises of Mr. Kwong Che Keung, Gordon, Professor Bu Fan Xiao and Mr. Hui Hung, Stephen, all of whom are independent non-executive Directors. For the details of Mr. Kwong Che Keung, Gordon, Professor Bu Fan Xiao and Mr. Hui Hung, Stephen, please refer to pages 31 and 32 of the Company's annual report for the year ended 31 December 2006.
- (g) The English text of this circular shall prevail over the Chinese text.

#### **10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at 6th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong during normal business hours on any weekday other than public holidays, from the date of this circular up to and including the date of the SGM:

- (a) the Agreement;
- (b) the written consents referred to under the section headed "Expert and Consents" in this appendix;
- (c) the annual reports of the Company for two years ended 31 December 2006 and the interim report of the Company for the six months ended 30 June 2007;
- (d) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (e) the letter from OSK, the text of which is set out in this circular.

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## NOTICE OF SGM

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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)

**NOTICE IS HEREBY GIVEN** that a special general meeting of Global Digital Creations Holdings Limited (the “**Company**”) will be held at JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Tuesday, 30 October 2007 at 10:30 a.m. for the purpose of considering, and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

#### ORDINARY RESOLUTIONS

(1) “**THAT**

- (a) the agreement (the “**Agreement**”) dated 14 August 2007 entered into between Shougang Holding (Hong Kong) Limited (“**Shougang Holding**”) and GDC Holdings Limited (“**GDC Holdings**”), a wholly-owned subsidiary of the Company, a copy of which is tabled at the meeting and marked “A” and initialed by the chairman of the meeting for identification purpose, pursuant to which, GDC Holdings has agreed to acquire and Shougang Holding has agreed to sell its 100% interest in Shougang GDC Media Holding Limited at a consideration of HK\$42,000,000 on the terms and conditions of the Agreement (the “**Acquisition**”), be and is hereby approved, ratified and confirmed; and
- (b) any one director, or any two directors, if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the Agreement and/or the Acquisition.”

(2) “**THAT**

- (a) the grant of options (the “**GDC Tech Options**”) under the share option scheme of GDC Technology Limited (“**GDC Technology**”), a non wholly-owned subsidiary of the Company, to Ms. Lu Yi, Gloria, an executive director of the Company, which would entitle her to subscribe for 12,000,000 shares of HK\$0.10 each in the share capital of GDC Technology, be and is hereby confirmed and approved; and

\* For identification purpose only

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## NOTICE OF SGM

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- (b) any one director of the Company be and is hereby authorized to do all such acts and/or execute all such documents as may be necessary to give full effect to the grant and exercise of the GDC Tech Options to Ms. Lu Yi, Gloria.”

By order of the Board of  
**Global Digital Creations Holdings Limited**  
**Cao Zhong**  
*Chairman*

11 October 2007

*Principal place of business in Hong Kong:*

6th Floor  
Bank of East Asia Harbour View Centre  
56 Gloucester Road  
Wanchai, Hong Kong

*Notes:*

1. Any member of the Company entitled to attend and vote at the meeting by the above notice is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised to sign the same.
3. In order to be valid, the instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of authority, must be delivered to the office of the Hong Kong branch share registrars and transfer office of the Company, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting thereof (as the case may be).
4. Completion and return of the form of proxy shall not preclude a member of the Company from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) and in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.