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)

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO GDC TECHNOLOGY LIMITED AND GDC DIGITAL CINEMA NETWORK LIMITED AND RESUMPTION OF TRADING

THE DISPOSAL

On 8 July 2011, the Company, GDC Holdings and the Purchaser entered into the Disposal Agreement pursuant to which the Purchaser has conditionally agreed to purchase the Sale Shares and the 100% equity interest in GDC Digital Cinema Network. Upon Completion, the Purchaser will hold 80% of the issued share capital of GDC Tech (or such greater percentage as GDC Holdings and the Purchaser may agree), 100% of the issued share capital of GDC Digital Cinema Network and control the GDC Tech Group.

Under the Disposal Agreement, GDC Holdings is required to procure 80% of the issued share capital of GDC Tech to be sold. As at 7 July 2011, GDC Tech is a 58% owned subsidiary of GDC Holdings. By structuring the Disposal Agreement in this manner, it avoided the need for the Other Shareholders to be parties to the Disposal Agreement and the protracted multi-way negotiations which could ensue as a result; while offering an opportunity for all the Other Shareholders to sell and benefit from the Disposal. It is the current intention of GDC Holdings that all the Other Shareholders may, if they elect to do so, participate in the Disposal and sell their GDC Tech Shares. GDC Holdings has discussed with most of the Other Shareholders, including Greater Appeal Investments Limited, a holder of approximately 21.09% of the issued share capital of GDC Tech, the benefits to both GDC Holdings and themselves in participating in the Disposal and

* *For identification purpose only*

they, who together hold not less than 25% of the issued share capital of GDC Tech, have indicated that they would participate in the Disposal and sell GDC Tech Shares held by them, although neither the Company nor GDC Holdings has received any firm commitment in this regard. As such, it is anticipated that GDC Holdings will remain as a minority shareholder of GDC Tech after the Disposal. The exact number of GDC Tech Shares to be sold by GDC Holdings will therefore depend on (a) the number of Options exercised prior to Completion; (b) the number of Options cancelled prior to Completion; and (c) the number of GDC Tech Shares which will be sold by the Other Shareholders. The number of the Sale Shares cannot be determined until Completion. In the Disposal, GDC Holdings will sell a minimum of 93,678,827 GDC Tech Shares and remain as a 20% shareholder of GDC Tech upon Completion, if the Options are exercised in full prior to Completion and all the Other Shareholders sell their respective GDC Tech Shares in the Disposal.

GEM LISTING RULES IMPLICATIONS

The relevant percentage ratios under Rule 19.07 of the GEM Listing Rules in respect of GDC Holdings' sale of GDC Tech Shares and the 100% equity interest in GDC Digital Cinema Network in the Disposal exceed 75%. GDC Holdings' sale of GDC Tech Shares and the 100% equity interest in GDC Digital Cinema Network in the Disposal constitute a very substantial disposal for the Company under the GEM Listing Rules.

As at the date of this announcement, Mr. Li Shaofeng, Mr. Chen Zheng, Mr. Jin Guo Ping, Mr. Leung Shun Sang, Tony, Mr. Kwong Che Keung, Gordon, Mr. Hui Hung, Stephen and Professor Japhet Sebastian Law are the Directors. They are therefore connected persons of the Company. The Directors hold GDC Tech Shares and have confirmed to GDC Holdings that they will participate in the Disposal and sell, together with GDC Holdings, their GDC Tech Shares, which will form part of the Sale Shares under the Disposal Agreement, to the Purchaser at Completion. While not being parties to the Disposal Agreement, the Disposal Agreement facilitates the sale of GDC Tech Shares by the Other Shareholders (including the Directors) to the Purchaser and thereby allowing them to benefit from the arrangement. Accordingly, GDC Holdings' sale of GDC Tech Shares and the 100% equity interest in GDC Digital Cinema Network in the Disposal constitute a connected transaction of the Company under Chapter 20 of the GEM Listing Rules and will be subject to the approval by the Independent Shareholders at the SGM by way of poll.

The SGM will be held by the Company at which resolution(s) will be proposed to the Independent Shareholders to consider and, if thought appropriate, to approve the Disposal Agreement and the transactions contemplated thereunder. The Shareholders who sell their GDC Tech Shares and/or agree to cancel their Options in the Disposal are required to abstain from voting on the resolution(s) to approve the Disposal Agreement and the transactions contemplated thereunder at the SGM.

An independent financial adviser will be appointed by the Board to advise the Independent Shareholders in this regard.

GENERAL

A circular containing, among other things, further details of the Disposal, the financial information of the Group and the GDC Tech Group, the letter from the independent financial adviser containing its advice to the Independent Shareholders relating to the Disposal Agreement and the transactions contemplated thereunder and the notice of SGM will be despatched to the Shareholders on or before 17 August 2011.

RESUMPTION OF TRADING

At the request of the Company, trading in Shares was suspended from 9 am on 8 July 2011 pending the release of this announcement. The Company has applied for the resumption of trading in Shares from 9 am on 12 July 2011.

THE DISPOSAL

On 8 July 2011, the Company, GDC Holdings and the Purchaser entered into the Disposal Agreement pursuant to which:

(a) GDC Holdings will sell, or procure the sale by any of the Other Shareholders of, and the Purchaser will purchase such number of GDC Tech Shares as is equal to 80% of GDC Tech Shares in issue at Completion (or such greater percentage as GDC Holdings and the Purchaser may agree);

(b) the Purchaser will pay the Cancellation Fee (as defined below) to holders of the Options who have agreed to the cancellation of their Options; and

(c) the Purchaser will acquire from GDC Holdings its 100% equity interest in GDC Digital Cinema Network.

Mr. Li Shaofeng, Mr. Chen Zheng, Mr. Jin Guo Ping, Mr. Leung Shun Sang, Tony, Mr. Kwong Che Keung, Gordon, Mr. Hui Hung, Stephen and Professor Japhet Sebastian Law, holders of GDC Tech Shares who hold, in aggregate, 22,000,001 GDC Tech Shares which represented approximately 8.86% of the entire issued share capital of GDC Tech as at 7 July 2011, have confirmed to GDC Holdings that they will participate in the Disposal and sell all of GDC Tech Shares held by them to the Purchaser at Completion.

As at 7 July 2011, there were 3,497,000 Options outstanding. If the Options are exercised in full prior to Completion, an aggregate of 3,497,000 GDC Tech Shares will be issued.

Under the Disposal Agreement, GDC Holdings is required to sell, or procure the sale of, 80% of the issued share capital of GDC Tech to the Purchaser. As at 7 July 2011, GDC Tech is a 58% owned subsidiary of GDC Holdings. By structuring the Disposal Agreement in this manner, it avoided the need for the Other Shareholders to be parties to the Disposal Agreement and the protracted multi-way negotiations which could ensue as a result; while offering an opportunity for all the Other Shareholders to sell and benefit from the Disposal. It is the current intention of GDC Holdings that all the Other Shareholders may, if they elect to do so, participate in the Disposal and sell their GDC Tech Shares. GDC Holdings has discussed with most of the Other Shareholders, including Greater Appeal Investments Limited, a holder of approximately 21.09% of the issued share capital of GDC Tech, the benefits to both GDC Holdings and themselves in participating in the Disposal and they, who together hold not less than 25% of the issued share capital of GDC Tech, have indicated that they would participate in the Disposal and sell GDC Tech Shares held by them, although neither the Company nor GDC Holdings has received any firm commitment in this regard. As such, it is anticipated that GDC Holdings will remain as a minority shareholder of GDC Tech after the Disposal. In the event that there are no Other Shareholders or no sufficient Other Shareholders participating in the Disposal to make up the Sale Shares equal to 80% of the issued share capital of GDC Tech, unless GDC Holdings and the Purchaser otherwise agree, the Purchaser may elect not to proceed to Completion and the Company and GDC Holdings may be liable for damages for non-performance of their obligations under the Disposal Agreement. In addition, GDC Holdings have given representations and warranties in relation to the Sale Shares and the operations of the GDC Tech Group under the Disposal Agreement. However, in the event of any claim in respect of such representations and warranties, the liability of the Company and GDC Holdings in respect of such claims is capped at the total consideration to be received by GDC Holdings under the Disposal Agreement. GDC Holdings does not have any current intention to purchase GDC Tech Shares from the Other Shareholders for resale to the Purchaser.

The key commercial rationale for the Company to procure 80% of the issued share capital of GDC Tech to be sold is that by doing so, it would be able to obtain a better pricing for the Disposal and at the same time introduce a reputable and well resourced investor such as The Carlyle Group. The Company considers that the benefits of the current structure of the Disposal outweigh the risks which are manageable as the GDC Tech Group is under the control of the Company. Furthermore, as indicated, the Company has received indication from Greater Appeal Investments Limited, a holder of approximately 21.09% of the issued share capital of GDC Tech that it would participate in the Disposal and sell alongside GDC Holdings. In the circumstances, it is anticipated by the Company that it would be able to meet the requirement in respect of 80% of the issued share capital of GDC Tech under the Sale Shares.

In the Disposal, GDC Holdings will sell (1) a minimum of 93,678,827 GDC Tech Shares and remain as a 20% shareholder of GDC Tech upon Completion, if the Options are exercised in full prior to Completion and all the Other Shareholders sell their respective GDC Tech Shares in the Disposal; or (2) a maximum of 144,054,845 GDC Tech Shares if GDC Holdings sells all of its GDC Tech Shares. The exact number of GDC Tech Shares to be sold by GDC Holdings will depend on (a) the number of Options exercised prior to Completion; (b) the number of Options cancelled prior to Completion; and (c) the number of GDC Tech Shares which will be sold by the Other Shareholders. The number of the Sale Shares cannot be determined until Completion. Under the Disposal Agreement, GDC Holdings will procure the Other Shareholders to participate in the Disposal and sell GDC Tech Shares held by them to the Purchaser. If the Options are exercised in full prior to Completion and all the Other Shareholders elect to sell their GDC Tech Shares in the Disposal, GDC Holdings will remain as a 20% shareholder of GDC Tech following Completion, unless GDC Holdings and the Purchaser otherwise agree.

The following table sets out the holders of GDC Tech Shares and Options as at 7 July 2011:

	Name	GDC Tech Shares	Options	GDC Tech Shares (assuming that the Options are exercised in full)
1.	GDC Holdings	144,054,845 (58%)	–	144,054,845 (57.19%)
2.	Mr. Li Shaofeng	2,300,000 (0.93%)	–	2,300,000 (0.91%)
3.	Mr. Chen Zheng	11,883,334 (4.78%)	–	11,883,334 (4.72%)
4.	Mr. Jin Guo Ping	400,000 (0.16%)	–	400,000 (0.16%)
5.	Mr. Leung Shun Shan, Tony	4,780,000 (1.92%)	–	4,780,000 (1.90%)
6.	Mr. Kwong Che Keung, Gordon	2,071,667 (0.83%)	–	2,071,667 (0.82%)
7.	Mr. Hui Hung, Stephen	365,000 (0.15%)	–	365,000 (0.14%)
8.	Professor Japhet Sebastian Law	200,000 (0.08%)	–	200,000 (0.08%)
9.	Dr. Chong	17,583,332 (7.08%)	–	17,583,332 (6.98%)
10.	Greater Appeal Investments Limited	52,383,580 (21.09%)	–	52,383,580 (20.80%)
11.	Other connected persons of the Company	720,000 (0.29%)	–	720,000 (0.29%)
12.	Other GDC Tech shareholders *(Note)*	11,641,334 (4.69%)	–	11,641,334 (4.62%)
13.	Other Option holders *(Note)*	–	3,497,000	3,497,000 (1.39%)
	Total:	248,383,092	3,497,000	251,880,092

Note:

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, such persons are Independent Third Parties.

Consideration

The fully diluted equity value of the GDC Tech Group was agreed between GDC Holdings and the Purchaser to be HK$739,928,445, which was determined with reference to the consolidated net assets of the GDC Tech Group as at 31 December 2009 and 2010, and 31 May 2011 and the prospects of the GDC Tech Group, following arm's length negotiations between GDC Holdings and the Purchaser. The aggregate consideration (including the Cancellation Fees) payable by the Purchaser for the acquisition of 80% of GDC Tech Shares in issue at Completion and the 100% equity interest in GDC Digital Cinema Network is, subject to adjustment, HK$591,942,756, which is determined based on 80% of the fully diluted equity value of the GDC Tech Group.

The purchase price per Sale Share will be determined as follows:

$$\left[\frac{a}{(b + c)} \times d - e - f \right] \times \frac{1}{d}$$

and the purchase price per Sale Share will range from approximately HK$2.82 (if the Options are exercised in full prior to Completion) to HK$2.85 (if no Options are exercised prior to Completion but are cancelled at Completion).

The cancellation fee for each unexercised Option (the "Cancellation Fee") will be determined as follows:

$$\frac{a}{(b + c + g)} - h - \frac{f}{(g + d)}$$

where	a	=	the fully diluted equity value of the GDC Tech Group
	b	=	the number of GDC Tech Shares in issue as at Completion
	c	=	the number of GDC Tech Shares which would be issued on the exercise of any Options which remain outstanding at Completion
	d	=	the number of the Sale Shares
	e	=	the total Cancellation Fees
	f	=	HK$23,370,000, being the consideration for the 100% equity interest in GDC Digital Cinema Network
	g	=	the number of Options that the Purchaser pays the Cancellation Fees to cancel at Completion
	h	=	the exercise price under the relevant Option

Under the Disposal Agreement, a statement setting out the net cash and working capital of the GDC Tech Group as at Completion will be prepared as soon as practicable and by no later than 10 business days following Completion. The net cash of the GDC Tech Group is determined by adding the cash and cash equivalents of the GDC Tech Group and intra-group indebtedness and deducting therefrom external indebtedness and certain unsettled reserve or provision of tax of the GDC Tech Group. Working capital of the GDC Tech Group is determined by adding the total inventories and receivables and deducting therefrom payables and accrued liabilities of the GDC Tech Group.

If the net cash of the GDC Tech Group as at Completion is determined to be less than HK$25,000,000 (or, if it is equal to or greater than HK$25,000,000, the net cash located outside of the PRC is less than HK$12,500,000), the fully diluted equity value of the GDC Tech Group will be adjusted downwards by an amount equal to the deficit on a dollar-to-dollar basis and the purchase price per Sale Share and the Cancellation Fee will be adjusted accordingly.

The consideration for the 100% equity interest in GDC Digital Cinema Network was US$3 million, or equivalent to approximately HK$23,370,000, which was determined with reference to the consolidated total assets of GDC Digital Cinema Network and its subsidiaries as at 31 December 2009 and 2010, and 31 May 2011 and the prospects of the GDC Digital Cinema Network and its subsidiaries, following arm's length negotiations between GDC Holdings and the Purchaser.

Consideration for the Sale Shares (including the consideration for GDC Tech Shares to be sold by the Other Shareholders) and the Cancellation Fees will be paid by cheque or in such other manner as may be agreed between GDC Holdings and the Purchaser at Completion. If adjustment to the consideration for the Sale Shares and the Cancellation Fees is required to be made under the Disposal Agreement following Completion, GDC Holdings will, and will procure the Other Shareholders who have sold GDC Tech Shares and the holders of the Options who have received the Cancellation Fees to, repay to the Purchaser the excess of the amount paid to them over the adjusted amount.

As disclosed above, under the Disposal Agreement, GDC Holdings is responsible for procuring (i) the Other Shareholders to sell GDC Tech Shares held by them and (ii) certain holders of the Options to either exercise their Options and/or or agree to the cancellation of their Options on Completion in consideration for payment of the Cancellation Fees. Therefore, the consideration for the sale of GDC Tech Shares by the Other Shareholders and the Cancellation Fees form part of the consideration under the Disposal Agreement.

Conditions Precedent

Completion of the Disposal will be conditional upon:

(a) the passing by the requisite majority of the Company's members at the SGM of such resolutions as may be necessary in accordance with the GEM Listing Rules to approve, implement and effect the sale of the Sale Shares and 100% equity interest in GDC Digital Cinema Network to the Purchaser and of the transactions contemplated by the Disposal Agreement;

(b) the full and final settlement of all indebtedness owing by a member of the GDC Tech Group to any of GDC Holdings or its subsidiaries (other than the GDC Tech Group) and vice versa (including all interest thereon);

(c) Dr. Chong entering into an employment agreement with GDC Tech on terms no less favourable to Dr. Chong than his current terms of employment but otherwise in such form and substance satisfactory to the Purchaser to take effect on and subject to Completion (Note: The Purchaser considers that the continuous service of Dr. Chong with the GDC Tech Group is instrumental to its future development and, therefore, requires that it is a condition to Completion that Dr. Chong will enter into an employment agreement with GDC Tech);

(d) a member of the GDC Tech Group entering into a preferential leasing agreement with 環球數碼媒體科技研究(深圳)有限公司 (Institute of Digital Media Technology (Shenzhen) Limited), a wholly-owned subsidiary of the Company, in respect of the lease of the Shenzhen GDC Holdings Building (as defined in the Disposal Agreement) for the benefit of the GDC Tech Group at a price equal or lower to the lesser of (i) the current rent and (ii) the rent charged to other subsidiaries of the Company for a term of three years in the form which complies with PRC laws, to take effect on and subject to Completion (Note: This leasing agreement is to formalise the current use of the relevant premise used by the GDC Tech Group.

If this agreement is not entered into, the operations of the GDC Tech Group after Completion may be disrupted. Accordingly, the Purchaser has required this as a condition to Completion); and

(e) the Company and GDC Tech entering into the licence agreement in such form and substance satisfactory to the Purchaser granting GDC Tech a licence on a world-wide, exclusive, perpetual, and sub-licensable basis with respect to the use of GDC Intellectual Property (as defined in the Disposal Agreement) in connection with the manufacture, promotion, marketing, sale, use and distribution (or any of those activities) of media delivery or display related equipment (and restricting the Group in relation to the same), to take effect on and subject to Completion (Note: This relates to the use of the GDC Intellectual Property in relation to the current business of the GDC Tech Group. If this agreement is not entered into, the operations of the GDC Tech Group after Completion may be disrupted. Accordingly, the Purchaser has required this as a condition to Completion).

The Purchaser may waive conditions (b) to (e) above (either in whole or in part) at any time by giving notice to GDC Holdings.

GDC Holdings will use all commercially reasonable endeavours to procure (so far as it is so able) that each of the conditions is satisfied on or before 30 September 2011 or such other date as GDC Holdings and the Purchaser may agree.

Completion

Completion will take place on the fifth Business Day (as defined in the Disposal Agreement) after the date on which the last of the above conditions precedent to be satisfied or waived as the case may be is satisfied or so waived (or on such other date as GDC Holdings and the Purchaser may agree).

Upon Completion, members of the GDC Tech Group will cease to be subsidiaries of the Company and the results of the GDC Tech Group will no longer be consolidated into the consolidated financial statements of the Company.

INFORMATION ON THE GDC TECH GROUP

GDC Tech and its subsidiaries are principally engaged in the provision of computing solutions for digital content distribution and exhibitions. GDC Digital Cinema Network and its subsidiaries are principally engaged in the deployment of digital cinema network.

Set out below is the summary of key audited consolidated financial information of GDC Tech and its subsidiaries prepared under the International Financial Reporting Standards for the two years ended 31 December 2009 and 2010:

	For the year ended 31 December	
	2009	**2010**
	HK$'000	*HK$'000*
Revenue	334,342	567,006
Profit before tax	51,502	170,451
Profit attributable to shareholders	45,773	155,218

	As at 31 December	
	2009	**2010**
	HK$'000	*HK$'000*
Net assets	195,488	367,229
Total assets	290,788	581,339

Set out below is the summary of key unaudited consolidated financial information of GDC Digital Cinema Network and its subsidiaries prepared under the Hong Kong Financial Reporting Standards for the two years ended 31 December 2009 and 2010:

	For the year ended 31 December	
	2009	**2010**
	HK$'000	*HK$'000*
Revenue	–	4,330
Loss before tax	(5,291)	(6,149)
Loss attributable to shareholders	(5,291)	(6,149)

	As at 31 December	
	2009	**2010**
	HK$'000	*HK$'000*
Net liabilities	(6,927)	(13,076)
Total assets	26,064	55,390

INFORMATION ON THE PURCHASER

The Purchaser is an affiliate of the global alternative asset manager The Carlyle Group which as of 31 March 2011 managed approximately US$107.6 billion of assets and 84 funds. The Purchaser is managed by the Carlyle Asia Growth Capital Group (CAGP), a sector-agnostic growth capital fund that invests in high growth companies in key Asian markets through a team of local professionals from Beijing, Hong Kong, Mumbai, Shanghai and Seoul. CAGP manages four funds with an aggregate committed capital of approximately US$2 billion.

The Carlyle Group invests corporate private equity, real assets and global market strategies in Africa, Asia, Australia, Europe, North America and South America focusing on aerospace & defense, consumer & retail, energy & power, financial services, healthcare, industrial, infrastructure, technology & business services, telecommunications & media and transportation. Carlyle employs more than 1,000 people in 20 countries. Since 1987, the firm has invested approximately US$44.8 billion in 408 corporate private equity transactions.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are Independent Third Parties.

REASON FOR THE DISPOSAL

The Group is principally engaged in computer graphic ("CG") creation and production, digital content distribution and exhibitions, deployment of digital cinema network, computer graphic training and cultural park.

The Directors consider that the Disposal represents a good opportunity for the Group to realise its investment in the GDC Tech Group at a fair and reasonable price and enable the Group to further strengthen its current cash flows and liquidity positions and increase the general working capital and cash resources for the other businesses of the Group and for any future potential investment opportunities that may arise from time to time.

Subject to Completion, the Company and GDC Holdings have undertaken to the Purchaser that the Group (excluding the GDC Tech Group) will not engage in any businesses currently engaged by GDC Tech, GDC Digital Cinema Network and their respective subsidiaries.

The terms of the Disposal Agreement are determined after arm's length negotiations between the parties and in the ordinary and normal course of business. The Directors (including the Independent non-executive Directors) believe that the terms of the Disposal Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS AND FINANCIAL EFFECT OF THE DISPOSAL

The Company estimates that the gross proceeds from the sale of GDC Tech Shares by GDC Holdings in the Disposal will range from approximately HK$264.3 million to HK$410.1 million and the net proceeds from such sale will range from approximately HK$254.9 million to HK$396.3 million, depending on the number of GDC Tech Shares that it will sell in the Disposal. As disclosed above, the exact number of GDC Tech Shares to be sold by GDC Holdings will depend on (a) the number of Options exercised prior to Completion, (b) the number of Options cancelled prior to Completion; and (c) the number of GDC Tech Shares which will be sold by the Other Shareholders.

Based on (i) the consolidated net assets of GDC Tech and its subsidiaries as at 31 December 2010 of approximately HK$367.2 million; (ii) the shareholding in GDC Tech to be disposed ranging from approximately 38% to 58%; and (iii) the net proceeds to be received ranging from approximately HK$254.9 million to HK$396.3 million, the Group would recognise a gain ranging from approximately HK$115.4 million to HK$183.3 million from the sale of the Sale Shares. However, the Shareholders should note that the actual financial effects of the sale of the Sale Shares will be determined mainly based on the consolidated net assets of GDC Tech and its subsidiaries and the shareholding in GDC Tech to be disposed of immediately upon Completion.

The Company estimates that the gross and net proceeds from the sale of the 100% equity interest in GDC Digital Cinema Network will be approximately HK$23.4 million and HK$22.7 million, respectively. Based on (i) the consolidated net liabilities of GDC Digital Cinema Network and its subsidiaries as at 31 December 2010 of approximately HK$13.1 million; and (ii) the net proceeds to be received of approximately HK$22.7 million, the Group would recognise a gain of approximately HK$35.8 million from the sale of GDC Digital Cinema Network. However, the Shareholders should note that the actual financial effects on the sale of GDC Digital Cinema Network will be determined mainly based on the consolidated net liabilities of GDC Digital Cinema Network and its subsidiaries immediately upon Completion.

The entire net proceeds from the Disposal to be received by the Company ranging from approximately HK$277.6 million to HK$419.0 million will be used to finance the construction works of the redevelopment of different phases of 珠影文化產業園 (Pearl River Film Cultural Park) once the detailed construction plan and budget are approved, and for general working capital of the Group and any future potential investment opportunities that may arise from time to time. The Company has not identified any specific project for investment at the date of this announcement.

After Completion, the Group (excluding the GDC Tech Group) will continue to engage in the business of CG creation and production, CG training courses and cultural park, which will warrant a sufficient level of operations of the Group (excluding the GDC Tech Group). The Group (excluding the GDC Tech Group) currently employs approximately 510 full time employees and has not entered into any arrangement or undertaking to dispose of or downsize the businesses of the Group (excluding the GDC Tech Group) after Completion. In the CG creation and production business, the Group currently has four CG production projects from Australia, Europe and North America which are in progress and the orders received in 2011 have already exceeded those received in 2010. Moreover, the Group has produced two 3D-animated films, two CG-animated and one traditional-animated television series. The Group continues to invest in intellectual property assets and plans to expand to related businesses. Besides, the construction of its headquarters building in Shenzhen was completed in late 2010 and the Group has further expanded the production and training centres of CG businesses to enhance production capacity and efficiency.

As stated in the announcement of the Company dated 11 January 2011, the construction work for the redevelopment of Phase I of 珠影文化產業園 (Pearl River Film Cultural Park) was commenced with an aggregate consideration of approximately HK$92.0 million. The detailed construction plan and budget for the redevelopment of other phases of 珠影文化產業園 (Pearl River Film Cultural Park) are still being prepared.

The Directors are therefore of the view that after Completion, the Group will continue to have a significant level of operations in CG businesses and cultural park and to have tangible assets of sufficient value.

Assuming Completion took place for the year ended 31 December 2010 and without taking into account the net proceeds from the Disposal to be received, the consolidated revenue of the Group (excluding the GDC Tech Group) would be approximately HK$12.7 million, the net loss of the Group (excluding the GDC Tech Group) for the year would be approximately HK$59.3 million, the consolidated total assets and the consolidated net assets of the Group (excluding the GDC Tech Group) as at 31 December 2010 would be approximately HK$396.1 million and HK$216.2 million, respectively.

The net loss of the Group (excluding the GDC Tech Group) for the year ended 31 December 2010 are mainly due to the following:

(a) a one-off share-based payment expense of approximately HK$18.6 million was recognised in respect of the share options granted by the Company on 14 December 2010;

(b) as the international animation production industry was depressed and there was less investment in new projects, the revenue from the CG creation and production business of the Group decreased significantly in that year. Besides, the intellectual property assets which the Group invested were in production stage in that year and no revenue was generated from them yet;

(c) the construction of the Group's headquarters building in Shenzhen was completed and the businesses of the Shenzhen subsidiaries were relocated to such building during the fourth quarter of 2010. The Group incurred more costs on relocation, depreciation and interests in relation to the Shenzhen building which were recognised in the consolidated statement of comprehensive income of the Group for that year; and

(d) after the acquisition of 68% equity interest in 廣東時尚置業有限公司 (Guangdong Shishang Zhiye Investment Co., Ltd.), the Group was still at the stage of preparing the detailed construction plan and budget for the redevelopment of 珠影文化產業園 (Pearl River Film Cultural Park) and no revenue was generated from such entity during that year.

Furthermore, assuming Completion had taken place as at 31 December 2010, the entire net proceeds from the Disposal to be received would range from approximately HK$277.6 million to HK$419.0 million and the bank balances and cash of the Group (excluding the GDC Tech Group but including the net proceeds to be received) as at 31 December 2010 would range from approximately HK$362.1 million to HK$503.5 million and the consolidated total assets and net assets of the Group (excluding the GDC Tech Group but including the net proceeds to be received) as at 31 December 2010 would range from approximately HK$673.7 million to HK$815.1 million and from approximately HK$493.8 million to HK$635.2 million, respectively, of which building, prepaid lease payments and investment properties would account for approximately HK$293.1 million in aggregate. The ratio of the bank balances and cash to the consolidated total assets and net assets of the Group (excluding the GDC Tech Group but including the net proceeds to be received) would range from approximately 54% to 62% and from approximately 73% to 79%, respectively. The cash level will be reduced substantially after Completion as the Group will deploy the proceeds from the Disposal to meet potential capital expenditure relating to the construction works for the redevelopment of different phases of 珠影文化產業園 (Pearl River Film Cultural Park). The Directors are therefore of the view that after Completion, the Group will satisfy the requirement under Rule 19.82 of the GEM Listing Rules.

GEM LISTING RULES IMPLICATIONS

The relevant percentage ratios under Rule 19.07 of the GEM Listing Rules in respect of GDC Holdings' sale of GDC Tech Shares and the 100% equity interest in GDC Digital Cinema Network in the Disposal exceed 75%. GDC Holdings' sale of GDC Tech Shares and the 100% equity interest in GDC Digital Cinema Network in the Disposal constitute a very substantial disposal for the Company under the GEM Listing Rules.

As at the date of this announcement, Mr. Li Shaofeng, Mr. Chen Zheng, Mr. Jin Guo Ping, Mr. Leung Shun Sang, Tony, Mr. Kwong Che Keung, Gordon, Mr. Hui Hung, Stephen and Professor Japhet Sebastian Law are the Directors. They are therefore connected persons of the Company. The Directors hold GDC Tech Shares and have confirmed to GDC Holdings that they will participate in the Disposal and sell, together with GDC Holdings, their GDC Tech Shares, which will form part of the Sale Shares under the Disposal Agreement, to the Purchaser at Completion. While not being parties to the Disposal Agreement, the Disposal Agreement facilitates the sale of GDC Tech Shares by the Other Shareholders (including the Directors) to the Purchaser and thereby allowing them to benefit from the arrangement. Accordingly, GDC Holdings' sale of GDC Tech Shares and the 100% equity interest in GDC Digital Cinema Network in the Disposal constitute a connected transaction of the Company under Chapter 20 of the GEM Listing Rules and will be subject to the approval by the Independent Shareholders at the SGM by way of poll.

The SGM will be held by the Company at which resolution(s) will be proposed to the Independent Shareholders to consider and, if thought appropriate, to approve the Disposal Agreement and the transactions contemplated thereunder. The Shareholders who sell their GDC Tech Shares and/or agree to cancel their Options in the Disposal are required to abstain from voting on the resolution(s) to approve the Disposal Agreement and the transactions contemplated thereunder at the SGM.

An independent financial adviser will be appointed by the Board to advise the Independent Shareholders in this regard.

GENERAL

A circular containing, among other things, further details of the Disposal, the financial information of the Group and the GDC Tech Group, the letter from the independent financial adviser containing its advice to the Independent Shareholders relating to the Disposal Agreement and the transactions contemplated thereunder and the notice of SGM will be despatched to the Shareholders on or before 17 August 2011.

RESUMPTION OF TRADING

At the request of the Company, trading in Shares was suspended from 9 am on 8 July 2011 pending the release of this announcement. The Company has applied for the resumption of trading in Shares from 9 am on 12 July 2011.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions have the following meanings:

"Board"	the board of directors of the Company
"Company"	Global Digital Creations Holdings Limited, an exempted company incorporated in Bermuda with limited liability, Shares of which are listed on GEM
"Completion"	completion of the Disposal
"connected person"	has the same meaning ascribed thereto under the GEM Listing Rules
"Director(s)"	director(s) of the Company
"Disposal"	the proposed sale of GDC Tech Shares and the 100% equity interest in GDC Digital Cinema Network to the Purchaser and the cancellation of the outstanding Options as at Completion pursuant to the terms and conditions of the Disposal Agreement

"Dr. Chong"	Dr. Chong Man Nang, a director and the CEO of GDC Tech
"Disposal Agreement"	the conditional sale and purchase agreement dated 8 July 2011 entered into among the Company, GDC Holdings and the Purchaser
"GDC Digital Cinema Network"	GDC Digital Cinema Network Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of GDC Holdings
"GDC Holdings"	GDC Holdings Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
"GDC Tech"	GDC Technology Limited, a company incorporated in the British Virgin Islands and a non-wholly subsidiary of GDC Holdings and as at 7 July 2011, owned as to 58% by GDC Holdings
"GDC Tech Group"	for the purpose of this announcement, GDC Tech, GDC Digital Cinema Network and their respective subsidiaries
"GDC Tech Shares"	ordinary shares of HK$0.10 each in the share capital of GDC Tech
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM and any amendments thereto
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Independent Shareholders"	Shareholders other than those who have material interests in the Disposal Agreement and the transactions contemplated therein
"Independent Third Party(ies)"	third party(ies) independent of the Company and connected person(s) (as defined under the GEM Listing Rules) of the Company
"Options"	options granted under the share option scheme adopted by GDC Tech on 19 September 2006

"Other Shareholders"	holders of GDC Tech Shares including holders of Options who exercise their Options prior to Completion but excluding GDC Holdings and Dr. Chong who has confirmed to GDC Holdings that he will not participate in the Disposal
"PRC"	People's Republic of China
"Purchaser"	CAG Digital Investment Holdings Limited, an exempted Cayman company
"Sale Shares"	GDC Tech Shares to be sold to the Purchaser in the Disposal
"SGM"	special general meeting of the Company to be held to consider and, if thought fit, approve, among other things, the Disposal Agreement and the transactions contemplated thereunder
"Shareholders"	holders of Shares
"Shares"	ordinary shares of HK$0.01 each (or of such other nominal amount as shall result from a sub-division or a consolidation of such shares from time to time) in the capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US$"	United States dollar, the lawful currency of the United States of America
"%" or "per cent."	percentage or per centum

Unless otherwise specified in this announcement, amounts denominated in US$ have been converted, for the purpose of illustration only, into HK$ at US$1 = HK$7.79.

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.

Certain English translation of Chinese names or words in this announcement are included for information purpose only and should not be regarded as the official English translation of such Chinese names or words.

By Order of the Board
Global Digital Creations Holdings Limited
Li Shaofeng
Chairman

Hong Kong, 11 July 2011

As at the date of this announcement, the Board comprises Mr. Li Shaofeng (Chairman and Executive Director), Mr. Chen Zheng (Managing Director and Executive Director), Mr. Jin Guo Ping (Deputy Managing Director and Executive Director), Mr. Leung Shun Sang, Tony (Non-executive Director), Mr. Kwong Che Keung, Gordon (Independent non-executive Director), Mr. Hui Hung, Stephen (Independent non-executive Director) and Professor Japhet Sebastian Law (Independent non-executive Director).

This announcement, 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 the information contained in this announcement 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 announcement misleading.

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