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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 (together with the proxy form) 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.

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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)

**CONNECTED TRANSACTION
REFRESHMENT OF GENERAL MANDATE
TO ISSUE AND ALLOT SHARES
AND
INCREASE IN AUTHORISED SHARE CAPITAL**

**INDEPENDENT FINANCIAL ADVISER
TO THE GDC INDEPENDENT BOARD COMMITTEE
AND THE GDC INDEPENDENT SHAREHOLDERS**



A letter from the Board is set out on pages 3 to 9 of this circular and a letter from the GDC Independent Board Committee is set out on page 10 of this circular. A letter from the Independent Financial Adviser containing its advice to the GDC Independent Board Committee and the GDC Independent Shareholders is set out on pages 11 to 24 of this circular.

A notice convening the Special General Meeting to be held at Board Room, Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong on 23rd April 2007 at 10:30 a.m. is set out on pages 33 to 35 of this circular. A form of proxy for use at the Special General Meeting is enclosed with this circular. Whether or not you are able to attend and vote at the Special General Meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the branch share registrar of the Company, Standard Registrars Limited at 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 holding the Special General Meeting or any adjourned meeting (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 Special General Meeting or any adjourned meeting (as the case may be) should you so wish.

* For identification purpose only

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CHARACTERISTICS OF GEM

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.

DEFINITIONS

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

“associates”	has the meanings ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which banks are open for general banking business in Hong Kong
“Company” or “GDC”	Global Digital Creations Holdings Limited, a company incorporated in Bermuda with limited liability whose securities are listed on the GEM
“Director(s)”	the director(s) of the Company
“GDC Group” or “Group”	the Company and its subsidiaries
“GDC Independent Board Committee”	the committee of the Directors comprising the independent non-executive directors formed to advise the GDC Independent Shareholders on the Subscription
“GDC Independent Shareholders”	the shareholders of the Company other than Shougang Grand and its associates
“GDC Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“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
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Financial Adviser”	Access Capital Limited, a licensed corporation under the SFO and engages in Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the GDC Independent Shareholders in relation to the terms of the Subscription Agreement and the Issue Mandate

DEFINITIONS

“Issue Mandate”	the general mandate proposed to be sought at the Special General Meeting to authorise the Directors to allot, issue and deal with GDC Shares not exceeding 20% of the issued share capital of the Company as at the date of the Special General Meeting
“Latest Practicable Date”	2 April 2007, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“PRC”	the People’s Republic of China
“Shareholders”	holders of GDC Shares
“Shougang Grand”	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
“Special General Meeting”	the special general meeting of the Company to be held for approving the Subscription and the Issue Mandate
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the conditional subscription by Upper Nice of the Subscription Shares pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 16 March 2007 between Upper Nice and the Company
“Subscription Price”	HK\$0.54 per Subscription Share
“Subscription Shares”	100,000,000 new GDC Shares to be subscribed by Upper Nice pursuant to the Subscription Agreement
“subsidiary”	has the meaning ascribed to it in section 2(4) of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“substantial shareholder”	has the meanings ascribed to it under the GEM Listing Rules
“Upper Nice”	Upper Nice Assets Ltd., a company incorporated in the British Virgin Islands, an indirect wholly owned subsidiary of Shougang Grand, the holding company of the Company
“%”	per cent.

LETTER FROM THE BOARD



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)

Executive Directors

Mr. Cao Zhong (*Chairman*)
Mr. Chen Zheng (*Chief Executive Officer*)
Mr. Jin Guo Ping (*Vice President*)
Dr. Xu Qing, Catherine (*Vice President*)

Registered office:

Clarendon House
Church House
Hamilton HM11
Bermuda

Non-Executive Director

Mr. Leung Shun Sang, Tony

Principal place of business

in Hong Kong:

6/F., Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

Independent Non-Executive Directors

Mr. Kwong Che Keung, Gordon
Prof. Bu Fan Xiao
Mr. Hui Hung, Stephen

4 April 2007

To the Shareholders:

Dear Sir or Madam,

**CONNECTED TRANSACTION
REFRESHMENT OF GENERAL MANDATE
TO ISSUE AND ALLOT SHARES
AND
INCREASE IN AUTHORISED SHARE CAPITAL**

INTRODUCTION

On 16 March 2007, GDC and Shougang Grand jointly announced that Upper Nice and GDC entered into the Subscription Agreement pursuant to which Upper Nice has conditionally agreed to subscribe 100,000,000 new GDC Shares at HK\$0.54 per GDC Share.

* For identification purpose only

LETTER FROM THE BOARD

As Upper Nice is an indirect wholly owned subsidiary of Shougang Grand, and Shougang Grand, together with its associates, is interested in approximately 61.09% of the existing issued share capital of the Company. The Subscription therefore constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules. The purpose of this circular is:

- (i) to provide the Shareholders with details of (a) the Subscription Agreement, (b) the proposed refreshment of the general mandate to allot and issue shares, and (c) the increase in authorised share capital of the Company;
- (ii) to set out the opinion of the Independent Financial Adviser in respect of the terms of the Subscription Agreement and the Issue Mandate;
- (iii) to set out the recommendation of the Independent Board Committee in respect of the terms of the Subscription Agreement and the Issue Mandate; and
- (iv) to give you notice of the Special General Meeting to consider and, if thought fit, to approve the Subscription Agreement, the Issue Mandate and the increase in authorised share capital of the Company.

SUBSCRIPTION OF NEW GDC SHARES

Subscription Agreement

Date: 16 March 2007

Parties:

- (a) Upper Nice; and
- (b) the Company.

Upper Nice is an indirect wholly owned subsidiary of Shougang Grand, the holding company of the Company. Shougang Grand and its subsidiaries are principally engaged in property investment and management, cultural mass media and provision of financial services.

Subscription Shares

100,000,000 new GDC Shares will be subscribed by Upper Nice, representing approximately 10.17% of the existing issued share capital of the Company and approximately 9.23% of the issued share capital of the Company as enlarged by the Subscription.

The Subscription Shares shall, when fully paid, rank *pari passu* in all respects with the existing GDC Shares in issue. There is no subsequent restriction on any subsequent transfer of the Subscription Shares.

LETTER FROM THE BOARD

Subscription Price

The Subscription Price is HK\$0.54 per GDC Share and was arrived at after arm's length negotiations between the Company and Upper Nice. It represents: (i) a discount of approximately 15.63% to the closing price of HK\$0.64 per GDC Share as quoted on the Stock Exchange on 15 March 2007, being the last trading date immediately preceding the date of the Subscription Agreement; and (ii) a discount of approximately 19.88% of the average closing price of HK\$0.674 per GDC Share as quoted on the Stock Exchange for the last five trading days up to and including 15 March 2007.

The Subscription Shares have a market value of approximately HK\$64.0 million based on the closing price of the GDC Shares of HK\$0.64 on 15 March 2007.

The Directors (including the independent non-executive Directors) are of the opinion that the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions of the Subscription

Completion of the Subscription is conditional upon:

- (a) the GDC Independent Shareholders having approved the Subscription at a general meeting of the Company by way of poll;
- (b) the approval for the listing of, and permission to deal in, the Subscription Shares being granted by the GEM Listing Committee of the Stock Exchange; and
- (c) (if necessary) the Bermuda Monetary Authority consenting to the issue of the Subscription Shares.

None of the above conditions can be waived and the Subscription cannot be completed unless all the above conditions are fulfilled.

Completion of the Subscription

Subject to fulfilment of the above conditions, completion of the Subscription shall take place on the second Business Day after the above conditions have been satisfied. If the above conditions precedent are not fulfilled by 30 September 2007 (or such later date as may be agreed between the parties), the Subscription Agreement will lapse and become null and void and the parties will be released from all obligations under the Subscription Agreement, save for liabilities for any antecedent breaches.

Listing Rules Implications on the Subscription

Upper Nice is an indirect wholly owned subsidiary of Shougang Grand. Shougang Grand, together with its associates, is interested in approximately 61.09% of the existing issued share capital of the Company and is the holding company of the Company. The Subscription therefore constitutes a connected transaction for the Company and will be subject to the reporting, announcement and independent shareholders' approval requirements of Chapter 20 of the GEM Listing Rules.

LETTER FROM THE BOARD

Application will be made to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

INFORMATION ON THE COMPANY

The Company and its subsidiaries are principally engaged in the digital content business, encompassing creation, production and distribution of digital contents. The following table shows the audited consolidated financial information of the Company for the two years ended 31 December 2006:

	For the year ended 31 December 2005	For the year ended 31 December 2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before tax	76,205	30,245
Loss for the year attributable to equity holders of GDC	76,356	30,245

As at 31 December 2006, the audited consolidated net liabilities of the Company were approximately HK\$154,709,000.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholdings in the Company before and after the Subscription are summarised as follows:

Shareholder	As at the Latest Practicable Date		Immediately after completion of the Subscription	
	Number of GDC Shares	%	Number of GDC Shares	%
Upper Nice and its associates	600,890,023	61.09	700,890,023	64.68
Directors	16,817,220	1.71	16,817,220	1.55
Other public shareholders	365,931,617	37.20	365,931,617	33.77
Total	<u>983,638,860</u>	<u>100.00</u>	<u>1,083,638,860</u>	<u>100.00</u>

Upon completion of the Subscription, the Company will continue to be accounted for as a subsidiary of Shougang Grand.

LETTER FROM THE BOARD

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The Subscription is effected to enable the Company to raise funds for the projects of the GDC Group and as general working capital and for the repayment of loans while broaden the shareholder's base and the capital base of the Company. The Directors (including the Independent non-executive Directors) consider that the terms and conditions of the Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole are concerned.

The net proceeds from the Subscription are estimated to be approximately 53.6 million. Such proceeds will be used by the Company as to approximately HK\$12.0 million for the deployment of digital cinema network project in China, and the remaining balance will be used as general working capital of the GDC Group and for the repayment of loans.

REFRESHMENT OF THE GENERAL MANDATE TO ALLOT AND ISSUE SHARES

At the annual general meeting of the Company held on 26 May 2006, the Shareholders approved, among other things, to grant to the Directors a general mandate to allot up to 160,164,000 GDC Shares (the “**Existing Mandate**”), which is equivalent to the then 20% issued share capital of the Company. As announced by the Company on 5 December 2006, the Company entered into a subscription agreement pursuant to which 40,000,000 GDC Shares were issued under the Existing Mandate (the “**First Subscription**”). As announced by the Company on 16 March 2007, the Company has entered into a placing and subscription agreement pursuant to which a further 120,000,000 GDC Shares were issued under the Existing Mandate (the “**Second Subscription**”). Pursuant to the completion of the First Subscription and the Second Subscription, the Company only has available 164,000 GDC Shares left that may be issued under the Existing Mandate.

In order to provide a flexible means for the Company to raise further funds through the issue of new GDC Shares for its future business development, the Board proposes to refresh the general mandate for the Directors to issue and allot new GDC Shares not exceeding 20% of the issued share capital of the Company as at the date of the Special General Meeting.

The Issue Mandate is proposed to the Shareholders before to the Company's next annual general meeting, and therefore, pursuant to Rule 17.42A of the GEM Listing Rules, the refreshment of the Issue Mandate will be subject to the GDC Independent Shareholders' approval by way of poll at the Special General Meeting where Shougang Grand and its associates will abstain from voting.

Based on 983,638,860 GDC Shares in issue as at the Latest Practicable Date and assuming that no further GDC Shares are repurchased or issued prior to the Special General Meeting, subject to the passing of the relevant ordinary resolution to approve the Issue Mandate at the Special General Meeting, the Directors will be authorised to allot and issue up to a limit of 196,727,772 GDC Shares under the Issue Mandate. The Directors (including the Independent non-executive Directors) consider that the Issue Mandate will enhance the flexibility of the Company to manage its business and therefore the Issue Mandate is fair and reasonable and the granting of the Issue Mandate is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

The Issue Mandate will expire on the earlier of the conclusion of the next annual general meeting of the Company or the Issue Mandate is revoked by the Shareholders at a general meeting of the Company.

INCREASE IN AUTHORISED SHARE CAPITAL

The existing authorised share capital of the Company is HK\$12,000,000 divided into 1,200,000,000 GDC Shares, of which 983,638,860 GDC Shares have been issued. In order to accommodate future expansion and growth of the GDC Group, the Company proposes to increase its authorised share capital from HK\$12,000,000 divided into 1,200,000,000 GDC Shares to HK\$24,000,000 divided into 2,400,000,000 GDC Shares by the creation of additional 1,200,000,000 unissued GDC Shares. The proposed increase in authorised share capital of the Company is conditional upon the passing of an ordinary resolution by the shareholders of the Company at the Special General Meeting.

GENERAL

The GDC Independent Board Committee comprising the independent non-executive Directors has been formed to advise the GDC Independent Shareholders on the terms of the Subscription Agreement and the Issue Mandate. The Independent Financial Adviser has been appointed to advise the GDC Independent Board Committee in respect of the terms of the Subscription Agreement and the Issue Mandate.

SPECIAL GENERAL MEETING

The notice convening the Special General Meeting to be held at Board Room, Renaissance Harbour View Hotel, Hong Kong on 23 April 2007 at 10:30 a.m. at which ordinary resolution will be proposed to consider and, if thought fit, approve the Subscription Agreement, the Issue Mandate and the increase in authorised share capital is set out on pages 33 to 35 of this circular. The votes of the GDC Independent Shareholders to be taken at the Special General Meeting in respect of the resolutions for the approval of the Subscription Agreement and the Issue Mandate will be by poll where Shougang Grand and its associates will abstain from voting.

A form of proxy for use at the Special General Meeting is enclosed. Whether or not you are able to attend and vote at the Special General Meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the branch registrar of the Company, Standard Registrars Limited at 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 holding the Special General Meeting or any adjourned meeting (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 Special General Meeting or any adjourned meeting (as the case may be) should you so wish.

LETTER FROM THE BOARD

PROCEDURES FOR DEMANDING A POLL BY SHAREHOLDERS

Pursuant to Bye-Law 66 of the Bye-laws of the Company, a resolution put to the vote of a general meeting of the Company shall be decided on a show of hands unless a poll (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) is demanded:

- (a) by the chairman of the meeting; or
- (b) by at least three Shareholders present in person or by duly authorised corporate representative or by proxy for the time being entitled to vote at the meeting; or
- (c) by any Shareholder or Shareholders present in person or by duly authorised corporate 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;
- (d) by any Shareholder or Shareholders present in person or, by duly authorised corporate representative or by proxy and holding Shares 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 the Shares conferring that right; or
- (e) by the chairman of the meeting and/or the Directors individually or collectively hold proxies in respect of Shares holding 5% or more of the total voting rights at such meeting.

RECOMMENDATION

Your attention is drawn to the letter from the GDC Independent Board Committee set out on page 10 of this circular which contains its recommendation to the GDC Independent Shareholders on the terms of the Subscription Agreement and the Issue Mandate. Your attention is also drawn to the letter of advice received from the Independent Financial Adviser as set out on pages 11 to 24 of this circular which contains, amongst other matters, its advice to the GDC Independent Board Committee and the GDC Independent Shareholders in relation to the Subscription Agreement and the Issue Mandate. Based on the advice from the Independent Financial Adviser and the GDC Independent Board Committee, the Directors recommend the GDC Independent Shareholders to approve the Subscription Agreement and the Issue Mandate. Recommendation is also made for you to approve the increase in authorised share capital of the Company.

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 and Executive Director

LETTER FROM INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation, prepared for the purpose of incorporation in the circular, from the GDC Independent Board Committee to the GDC Independent Shareholders regarding the terms of the subscription of new GDC Shares.



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)

4 April 2007

To the GDC Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION REFRESHMENT OF GENERAL MANDATE TO ISSUE AND ALLOT SHARES

We refer to the circular of the Company to the Shareholders dated 4 April 2007 (the “Circular”), in which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter will have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as the GDC Independent Board Committee to advise the GDC Independent Shareholders on whether the terms of the Subscription Agreement and the Issue Mandate are fair and reasonable so far as the GDC Independent Shareholders are concerned and in the interests of the GDC Group and the Shareholders as a whole.

We wish to draw your attention to the letter of advice from the Independent Financial Adviser as set out on pages 11 to 24 of the Circular and the letter from the Board as set out on pages 3 to 9 of the Circular.

Having considered, among other matters, the factors and reasons considered by, and the opinion of the Independent Financial Adviser as stated in its letter of advice, we consider that the terms of the Subscription Agreement and the Issue Mandate are fair and reasonable so far as the GDC Independent Shareholders are concerned and in the interests of the GDC Group and the Shareholders as a whole. Accordingly, we recommend the GDC Independent Shareholders to vote in favour of the ordinary resolution in relation to the Subscription Agreement and the Issue Mandate to be proposed at the Special General Meeting.

Yours faithfully,

For and on behalf of the

GDC 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*

* For identification purpose only

LETTER FROM ACCESS CAPITAL

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



Suite 606, 6th Floor
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

4 April 2007

To: The GDC Independent Board Committee and the GDC Independent Shareholders

Dear Sirs,

**CONNECTED TRANSACTION
IN RESPECT OF SUBSCRIPTION OF NEW SHARES
AND
REFRESHMENT OF GENERAL MANDATE
TO ISSUE AND ALLOT SHARES**

I. INTRODUCTION

We refer to our appointment to advise the GDC Independent Board Committee and the GDC Independent Shareholders with regard to (i) the terms of the Subscription Agreement; and (ii) the Issue Mandate. Details of the Subscription and the Issue Mandate are contained in the “Letter from the Board” set out in the circular to the shareholders of GDC dated 4 April 2007 (the “Circular”), of which this letter forms part. The terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise specifies.

Reference is made to the announcement of GDC dated 16 March 2007 (the “Announcement”). On 16 March 2007, Upper Nice and GDC entered into a placing and subscription agreement (“Placing and Subscription Agreement”) with Guotai Junan Securities (Hong Kong) Limited (the “Placing Agent”), pursuant to which the Placing Agent agreed to, on a fully underwritten basis, procure purchasers to acquire, and Upper Nice agreed to sell, 120,000,000 existing GDC Shares (the “Top-up Placing”) at HK\$0.54 per GDC Share (the “Placing Price”). Pursuant to the Placing and Subscription Agreement, Upper Nice or its nominee has also conditionally agreed to subscribe 120,000,000 new GDC Shares (the “Top-up Subscription Shares”) at HK\$0.54 per GDC Share (the “Top-up Subscription Price”) which is equivalent to the Placing Price (the “Top-up Subscription”).

LETTER FROM ACCESS CAPITAL

On the same date, Upper Nice and GDC entered into the Subscription Agreement, pursuant to which Upper Nice conditionally agreed to subscribe 100,000,000 new GDC Shares at the price of HK\$0.54 per new GDC Share.

Upper Nice is an indirect wholly owned subsidiary of Shougang Grand. Shougang Grand, together with its associates, is interested in approximately 61.09% of the existing issued share capital of GDC and is the holding company of GDC as at the Latest Practicable Date. The Subscription therefore constitutes a connected transaction for GDC and will be subject to the reporting, announcement and independent shareholders' approval requirements of Chapter 20 of the GEM Listing Rules.

As Shougang Grand, together with its associates, is the controlling shareholder of GDC, and thus a connected person of GDC within the meaning of the GEM Listing Rules, Shougang Grand, together with its associates will abstain from voting in the Special General Meeting to be convened for the approval of the Subscription.

Reference is also made to the annual general meeting of GDC held on 26 May 2006, the Shareholders approved, among other things, to grant to the Directors a general mandate to allot up to 160,164,000 GDC Shares (the **"Existing Mandate"**), which is equivalent to the then 20% issued share capital of GDC. As announced by GDC on 5 December 2006, GDC entered into a subscription agreement pursuant to which 40,000,000 GDC Shares were issued under the Existing Mandate (the **"First Subscription"**). As announced by GDC on 16 March 2007, GDC has entered into the Placing and Subscription Agreement pursuant to which a further 120,000,000 GDC Shares were issued under the Existing Mandate (the **"Second Subscription"**). Pursuant to the completion of the First Subscription and the Second Subscription, GDC only has available 164,000 GDC Shares left that may be issued under the Existing Mandate.

The Issue Mandate is proposed to the Shareholders before to GDC's next annual general meeting, and therefore, pursuant to Rule 17.42A of the GEM Listing Rules, the refreshment of the Issue Mandate will be subject to the GDC Independent Shareholders' approval by way of poll at the Special General Meeting where Shougang Grand and its associates will abstain from voting.

II. THE GDC INDEPENDENT BOARD COMMITTEE

The Board of GDC currently consists of four executive Directors, namely Mr. Cao Zhong (Chairman), Mr. Chen Zheng (Chief Executive Officer), Mr. Jin Guo Ping and Dr. Xu Qing, Catherine (Vice Presidents), one Non-executive Director, Mr. Leung Shun Sang, Tony, and three independent non-executive Directors, namely Mr. Kwong Che Keung, Gordon, Professor Bu Fan Xiao and Mr. Hui Hung, Stephen.

The GDC Independent Board Committee comprising the independent non-executive Directors, Mr. Kwong Che Keung, Gordon, Professor Bu Fan Xiao and Mr. Hui Hung, Stephen, has been established to consider (i) the terms of the Subscription Agreement; and (ii) the Issue Mandate.

LETTER FROM ACCESS CAPITAL

We have been appointed by the GDC Independent Board Committee to advise them and the GDC Independent Shareholders as to whether (i) the terms of the Subscription Agreement; and (ii) the Issue Mandate are fair and reasonable so far as the GDC Independent Shareholders are concerned, and to give our opinion in relation to the Subscription and the Issue Mandate for the GDC Independent Board Committee's consideration when making their recommendation to the GDC Independent Shareholders.

III. BASES OF AND ASSUMPTIONS OF THE ADVICE

In formulating our advice, we have relied solely on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by GDC and/or its senior management staff and/or the Directors. We have assumed that all such statements, information, opinions and representations contained or referred to in the Circular or otherwise provided or made or given by GDC and/or its senior management staff and/or the Directors and for which it is/they are solely responsible were true and accurate and valid at the time they were made and given and continue to be true and valid as at the date of the Circular. We have assumed that all the opinions and representations made or provided by the Directors and/or the senior management staff of GDC contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from GDC and/or its senior management staff and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have reviewed all currently available information and documents which are available to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinions. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by GDC and/or its senior management staff and/or the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out an independent verification of the information provided, nor have we conducted an independent investigation into the business and affairs of GDC or any of its subsidiaries.

IV. PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation, we have taken into consideration the following principal factors and reasons:

1. Background to and reasons for the Subscription

The principal activities of the GDC Group comprise the digital content business, encompassing creation, production and distribution of digital contents.

On 16 March 2007, Upper Nice and GDC entered into the Placing and Subscription Agreement with the Placing Agent, pursuant to which the Placing Agent agreed to, on a fully underwritten basis, procure purchasers to acquire, and Upper Nice agreed to sell, 120,000,000 existing GDC Shares at the Placing Price of HK\$0.54 per GDC Share.

LETTER FROM ACCESS CAPITAL

Pursuant to the Placing and Subscription Agreement, Upper Nice also conditionally agreed to subscribe the Top-up Subscription Shares at the Top-up Subscription Price which is equivalent to the Placing Price of HK\$0.54 per GDC Share. The Top-up Placing and the Top-up Subscription have been completed on 21 March 2007 and 30 March 2007 respectively. GDC raised net proceeds of approximately HK\$63.0 million from the Top-up Subscription.

On the same day, Upper Nice and GDC also entered into the Subscription Agreement, pursuant to which Upper Nice conditionally agreed to subscribe 100,000,000 new GDC Shares at HK\$0.54 per new GDC Share. GDC will raise net proceeds of approximately HK\$53.6 million from the Subscription.

We note that from the annual results announcement of GDC for the year ended 31 December 2006, the GDC Group recorded an audited revenue of approximately HK\$54.9 million, representing a growth of approximately 70.6% over the previous year ended 31 December 2005. Such increase was contributed by both increases in revenue from both computer graphics (“CG”), creation and production and CG training courses.

During the same year, gross profit increased to approximately HK\$24.8 million, comparing with the gross loss of approximately HK\$27.4 million to the previous year. The improvement was mainly from the result of the success of the GDC Group’s strategy of entering into the business of subcontractor of computer graphics creation and production. The audited loss of GDC amounted to HK\$30.2 million, representing an improvement of approximately 60.4% from the previous year. As at 31 December 2006, GDC had net liabilities of approximately HK\$154.7 million. Although the financial performance of the Group has continued to improve due to (i) the successful implementation of the Group’s strategy of entering into the business of subcontracting the CG creation and production, (ii) the increase in both number of training course provided and the number of students attending each course and (iii) the decrease in cost of sales as a result of the increase in efficiency in CG creation and production, the sustainability of the financial performance of the Group depends on, amongst other things, the availability of financial resources to roll out the business plan and the successful implementation of the business strategy. By raising new funding through the Top-up Subscription and the Subscription, it is expected to accelerate the speed to roll out the business plan and to further improve the profitability. In addition, the increase in equity capital as a result of the Subscription will help to reduce the net liabilities of the Group.

As stated in the announcement of GDC dated 31 October 2006, Institute of Digital Media Technology (Shenzhen) Limited (“Shenzhen IDMT”), a wholly owned subsidiary of GDC, entered into a cooperation agreement (the “Cooperation Agreement”) with China Film Group Corporation (“CFGF”). Pursuant to the Cooperation Agreement, Shenzhen IDMT and CFGF target to jointly promote digital cinema business in the PRC by two stages.

In stage one, it is aimed at installing at least 700 units of digital cinema equipment at the top 100 cinemas in the PRC by 2007. In stage two, it is aimed at installing at least 2,000 units of digital cinema equipment at major cinemas in the PRC by 2008. Shenzhen IDMT and CFGF will share a portion of box office receipts of those cinemas using Shenzhen IDMT’s digital cinema equipment for distribution of digital motion pictures.

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As stated in the Announcement, part of the net proceeds from the Top-up Subscription and the Subscription of approximately HK\$75 million will be applied for the deployment of digital cinema network project in the PRC.

Having considered (i) the background to and reason for the Subscription; (ii) part of the proceeds from the Subscription are intended for the deployment of digital cinema network project in the PRC; which is in line with the GDC Group's stated strategy; (iii) the Subscription will tend to improve the financial position of GDC; and (iv) the fairness of the Subscription Price (which is equivalent to the Placing Price), we are of the view that the Subscription is in the interests of GDC and the GDC Shareholders as a whole.

1.1 Basis of the Subscription Price

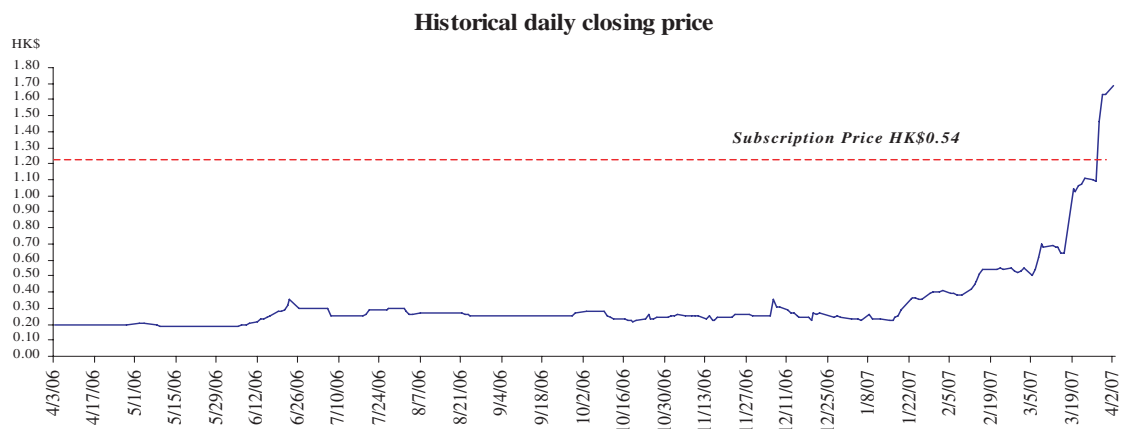
The Subscription Price as stated in the Subscription Agreement was arrived at after arm's length negotiations between GDC and Upper Nice with reference primarily to Placing Price for the Top-up Placing which was arrived at after arm's length negotiations between GDC, Upper Nice and the Placing Agent, being an independent third party and is not a connected person of GDC.

The Subscription Price of HK\$0.54 per new GDC Share represents:

- (a) a discount of approximately 15.63% to the closing price of HK\$0.64 per GDC Share as quoted on the Stock Exchange on 15 March 2007, being the last trading day (the "Last Trading Day") immediately preceding the date of the Subscription Agreement;
- (b) a discount of approximately 19.88% to the average closing price of HK\$0.674 per GDC Share for the last five trading days up to and including the Last Trading Day;
- (c) a discount of approximately 14.01% to the average closing price of HK\$0.628 per GDC Share for the last ten trading days up to and including the Last Trading Day; and
- (d) a discount of approximately 68.05% to the closing price of HK\$1.69 per GDC Share as quoted on the Stock Exchange on the Latest Practicable Date.

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We would also like to draw the GDC shareholders' attention to the following chart, which sets out the 12 month historical closing price performance of the GDC Shares as quoted on the Stock Exchange up to the Latest Practicable Date (the "Review Period"):



Source: Bloomberg

As noted from the above chart, the GDC Shares has largely traded below the Subscription Price of HK\$0.54 per Share during the Review Period. The GDC Shares began to trade above the Subscription Price since March 2007. Following the date of the Announcement (i.e. 19 March 2007) in respect of the Top-up Placing, Top-up Subscription and Subscription, the closing prices of the GDC Shares during the last 11 trading days up to the Latest Practicable Date remained at a level substantially above the Subscription Price. Although the financial performance of the Group has continued to improve as mentioned in the section headed "1. Background to and reasons for the Subscription" above, the sustainability of the financial performance of the GDC Group depends on, amongst other things, the availability of financial resources to roll out the business plan and the successful implementation of the business strategy. We, therefore, are not in a position to predict whether and how long the GDC Share price will sustain at the current level.

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In order to assess the fairness and reasonableness of the Subscription Price, we have compared the Subscription Price to those placing/subscription prices under the recent transactions involving placing or subscription of new shares conducted by companies listed on the main board and growth enterprise market of the Stock Exchange. Since in general the market sentiment and the size of the placing are important factors in the determination of placing/subscription price, we have identified, to the best of our knowledge, 24 most recent share placements or subscriptions immediately before 16 March 2007 (i.e. the date of the announcement of the Subscription) involving placing/subscription of new shares to/by independent third party(ies) and subscription proceeds in the range from approximately HK\$100 million to HK\$500 million (the “Comparable Transactions”). The following table sets out the details of the Comparable Transactions:

Date of announcement	Company name (stock code)	Net proceeds <i>HK\$' million</i>	Discount of placing/subscription price to the closing price quoted on the last trading day before the announcement %	(Discount)/premium of placing/subscription price to/over the 5-day average closing price prior to and including the last trading day %	(Discount)/premium of placing/subscription price to/over the 10-day average closing price prior to and including the last trading day %
30 November 2006	Beijing Development (Hong Kong) Limited (154)	105	(12.0)	(8.49)	1.57
30 November 2006	Shanghai Zendai Property Limited (755)	240	(8.70)	(4.83)	(3.37)
5 December 2006	EPI (Holdings) Limited (689)	172	(7.81)	(9.51)	(9.79)
13 December 2006	VODone Limited (formerly known as Yanion International Holdings Limited) (82)	231	(43.09)	(31.24)	(20.36)
14 December 2006	DVN (Holdings) Limited (500)	455	(6.86)	(7.17)	(6.92)
20 December 2006	China Water Affairs Group Limited (855)	450	(5.86)	(6.19)	(7.96)
21 December 2006	Matsunichi Communication Holdings Limited (283)	268	(11.29)	(9.60)	(3.78)
27 December 2006	China Oil and Gas Group Limited (603)	103	(12.12)	10.77	27.08
15 January 2007	Imagi International Holdings Limited (585)	426	(11.84)	(4.42)	(0.82)

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Date of announcement	Company name (stock code)	Net proceeds <i>HK\$' million</i>	Discount of placing/subscription price to the closing price quoted on the last trading day before the announcement <i>%</i>	(Discount)/premium of placing/subscription price to/over the 5-day average closing price prior to and including the last trading day <i>%</i>	(Discount)/premium of placing/subscription price to/over the 10-day average closing price prior to and including the last trading day <i>%</i>
16 January 2007	China Grand Forestry Resources Group Limited (910)	448	(6.50)	1.59	5.50
22 January 2007	Tongda Group Holdings Limited (698)	376	(11.76)	(4.76)	(3.23)
23 January 2007	China Merchants China Direct Investments Limited (133)	227	(4.67)	7.20	10.27
31 January 2007	Capital Strategic Investment Limited (497)	130	(8.02)	(6.64)	(6.11)
1 February 2007	FAVA International Holdings Limited (8108)	105	(10.00)	(6.90)	(4.42)
1 February 2007	China Water Industry Group Limited (1129)	109	(7.55)	(9.59)	4.03
7 February 2007	New World Cyberbase Limited (276)	253	(11.11)	5.08	7.53
12 February 2007	Century Sunshine Ecological Technology Holdings Limited (8276)	456	(6.93)	(5.15)	3.52
13 February 2007	Cheuk Nang (Holdings) Limited (131)	160	(4.67)	2.29	4.84
13 February 2007	China Seven Star Shopping Limited (245)	379	(2.85)	(1.45)	(1.45)
14 February 2007	Teem Foundation Group Limited (628)	307	(15.28)	(13.25)	(8.95)
14 February 2007	Genesis Energy Holdings Limited (702)	120	(10.96)	(12.40)	0.62

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Date of announcement	Company name (stock code)	Net proceeds <i>HK\$' million</i>	Discount of placing/subscription price to the closing price quoted on the last trading day before the announcement <i>%</i>	(Discount)/premium of placing/subscription price to/over the 5-day average closing price prior to and including the last trading day <i>%</i>	(Discount)/premium of placing/subscription price to/over the 10-day average closing price prior to and including the last trading day <i>%</i>
16 February 2007	Tack Fat Group International Limited (928)	177	(14.84)	(4.72)	(2.24)
27 February 2007	Get Nice Holdings Limited (64)	162	(9.60)	1.90	7.30
13 March 2007	China Energy Development Holdings Limited (228)	430	(7.82)	(5.71)	(4.13)
<i>Average of the Comparable Transactions:</i>		262	(10.51)	<i>Discount: (8.45) Premium: 4.81</i>	<i>Discount: (5.97) Premium: 7.23</i>
16 March 2007	GDC	117	(15.63)	(19.88)	(14.01)

Source: the Stock Exchange website

As noted in the above table, all placing/subscription prices under the Comparable Transactions represent a discount to the respective closing price of the shares as quoted on the last trading day, ranging from approximately 2.85% to 43.09%, with an average discount of approximately 10.51%. As regards the 5-day average closing prices prior to and including the last trading day, except for six Comparable Transactions which has a placing/subscription price representing an average premium of approximately 4.81% over the average closing price, all the other Comparable Transactions which have a placing/subscription price representing a discount to the respective average closing price, ranging from approximately 1.45% to 31.24%, with an average discount of approximately 8.45%. As regards the 10-day average closing prices prior to and including the last trading day, 14 Comparable Transactions have a placing/subscription price determined at a discount to the respective average closing price ranging from approximately 0.82% to 20.36%, with an average of approximately 5.97%. The placing/subscription prices under the other ten Comparable Transactions representing a premium to the 10-day average closing price, ranging from 0.62% to 27.08% with an average of approximately 7.23%. The net subscription proceeds from the Comparable Transactions range from approximately HK\$103 million to HK\$456 million, and the average net subscription proceeds are approximately HK\$262 million.

Although the Subscription Price represents a discount of 15.63%, 19.88% and 14.01% to the closing price of the last trading day, 5-day average of closing prices and 10-day average of closing prices respectively which are higher than the average of the Comparable Transactions, we are of the opinion that it is comparable as it falls within the relevant ranges of those Comparable Transactions.

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Given that (i) no preferential price difference has been offered in relation to the Top-up Placing and the Subscription; (ii) the GDC Shares has largely traded below the Subscription Price of HK\$0.54 per Share for a prolong period; (iii) the discount rates as mentioned above fall within the relevant ranges of those Comparable Transactions; and (iv) notwithstanding the fact that following the date of the Announcement, the closing prices of the GDC Shares have been traded above the Subscription Price during the last 11 trading days up to the Latest Practicable Date, it is not possible to predict whether and how long the GDC Share price will sustain at the current level, we consider that the Subscription Price is fair and reasonable as far as GDC and the GDC Independent Shareholders are concerned.

1.2 Possible financial effects of the Subscription on the GDC Group

(i) Net liabilities

Given the net liabilities of GDC of approximately HK\$154.7 million as at 31 December 2006, the Top-up Subscription and the Subscription will enhance the financial position of GDC.

(ii) Effects on the cash position/gearing of the GDC Group

The aggregate net proceeds from the Top-up Subscription and the Subscription amount to approximately HK\$116.6 million.

As stated in the Announcement, part of the net proceeds from the Top-up Subscription and the Subscription will be used as to approximately HK\$75.0 million for the deployment of digital cinema network project in the PRC (as described under “1. Background to and reasons for the Subscription” above), and the remaining balance will be used as working capital of the GDC Group and for repayment of loans.

As at 31 December 2006, the GDC Group had bank balances and cash of approximately HK\$8.6 million.

Given the part of the remaining balance of the net proceeds will be used to reduce loans, the cash position/gearing of the GDC Group will likely to be improved following the completion of the Top-up Subscription and the Subscription.

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(iii) *Shareholding dilution effect*

The following table illustrates the shareholding structures of the GDC as at the Latest Practicable Date and immediately upon the completion of Subscription.

Shareholder	As at the Latest Practicable Date		Immediately after completion of the Subscription	
	Number of GDC Shares	%	Number of GDC Shares	%
Upper Nice and its associates	600,890,023	61.09	700,890,023	64.68
Directors	16,817,220	1.71	16,817,220	1.55
Other Public shareholders	365,931,617	37.20	365,931,617	33.77
Total	<u>983,638,860</u>	<u>100.00</u>	<u>1,083,638,860</u>	<u>100.00</u>

As set out in the table above, the aggregate shareholding of the GDC public Shareholders in GDC (the “Other Public Shareholders”) was approximately 37.20% as at the Latest Practicable Date. Upon completion of the Subscription, the aggregate shareholding of the Other Public Shareholders will be diluted to approximately 33.77%.

While a dilution effect on shareholding is inevitable for any issue of new GDC Shares, the capital base and the financial position of the GDC Group will be strengthened as a result of the proceeds from the Top-up Subscription and the Subscription. Given that the Subscription Price has been arrived at on a fair and reasonable basis as discussed under the section headed “1.1. Basis of the Subscription Price” above, we consider the aforesaid dilution effect on the shareholding of the then GDC public Shareholders to be acceptable.

2. Background of the Issue Mandate

At the annual general meeting of GDC held on 26 May 2006, the Shareholders approved, among other things, to grant to the Directors the Existing Mandate, which is equivalent to the then 20% issued share capital of GDC. As announced by GDC on 5 December 2006, the Company entered into a subscription agreement for the First Subscription. As announced by GDC on 16 March 2007, GDC entered into the Placing and Subscription Agreement for the Second Subscription. Pursuant to the completion of the First Subscription and the Second Subscription, the Company only has available 164,000 GDC Shares left that may be issued under the Existing Mandate.

In order to provide a flexible means for GDC to raise further funds through the issue of new GDC Shares for its future business development, the Board proposes to refresh the general mandate for the Directors to issue and allot new GDC Shares not exceeding 20% of the issued share capital of the Company as at the date of the Special General Meeting.

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The Issue Mandate is proposed to the Shareholders before to GDC's next annual general meeting, and therefore, pursuant to Rule 17.42A of the GEM Listing Rules, the refreshment of the Issue Mandate will be subject to the GDC Independent Shareholders' approval by way of poll at the Special General Meeting where Shougang Grand and its associates will abstain from voting.

Based on 983,638,860 GDC Shares in issue as at the Latest Practicable Date and assuming that no further GDC Shares are repurchased or issued prior to the Special General Meeting, subject to the passing of the relevant ordinary resolution to approve the Issue Mandate at the Special General Meeting, the Directors will be authorised to allot and issue up to a limit of 196,727,772 GDC Shares under the Issue Mandate.

The Directors (including the Independent non-executive Directors) consider that the refreshment of Issue Mandate will enhance the flexibility of GDC to manage its business and therefore the Issue Mandate is fair and reasonable and the granting of the Issue Mandate is in the interests of the Company and the Shareholders as a whole.

The Issue Mandate will expire on the earlier of the conclusion of the next annual general meeting of GDC or the Issue Mandate is revoked by the Shareholders at a general meeting of GDC.

2.1. Liquidity position of the GDC Group

As stated in the annual report of GDC for the year ended 31 December 2006, as at 31 December 2006, the GDC Group had bank balances and cash of approximately HK\$8.6 million.

As mentioned under the heading "(ii) Effects on the cash position/gearing of the GDC Group" above, the aggregate net proceeds from the Top-up Subscription and the Subscription amount to approximately HK\$116.6 million. Part of the net proceeds from the Top-up Subscription and the Subscription will be used as to approximately HK\$75.0 million for the deployment of digital cinema network project in the PRC (as described under "1. Background to and reasons for the Subscription" above), and the remaining balance will be used as working capital of the GDC Group and for repayment of loans.

Having considered that GDC Group's financial performance depends on, amongst other things, the availability of financial resources to roll out the business plan and the successful implementation of the business strategy, and additional funding might require for the installation of the digital cinema equipment at major cinemas in the PRC as mentioned above, we consider that it is prudent and reasonable for the Group to maintain a strong capital base whilst additional funding may be needed for further business development as well as other opportunities arise in the future.

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2.2. Financial flexibility and other possible alternatives

Given that equity financing is interest and security free by nature, and a bigger and wider spread of capital base may also enhance the liquidity of the GDC Shares in the securities market in Hong Kong, the Directors consider that the refreshment of the Issue Mandate (which offers a flexible financing option to the Company) is in the interests of the Company and the Shareholders as a whole.

Apart from equity financing, the Directors also confirmed that they would consider other alternatives, such as (but not limited to) debt financing and bank borrowings. However, such alternatives depend on the financial position, the cost of funding of the Group and the then market condition. In addition, these alternatives may have to subject to a lengthy due diligence and negotiation process. The Directors also confirmed that they would exercise due and careful consideration when choosing the best method of financing for the Group.

Given that the refreshment of Issue Mandate may (i) enhance the flexibility of the Company (a) to raise additional funds and/or (b) to allot and issue new GDC Shares as consideration for funding any future investment opportunities, acquisitions and/or corporate transaction exercises as and when such opportunities arise; and (ii) enlarge the capital base of the GDC Group, we believe that the refreshment of Issue Mandate offers GDC a flexible financing option for the benefit of the GDC Group and in the interests of GDC and the Shareholders as a whole.

2.3. Potential dilution effect to the Shareholders

The table below sets out the shareholding structure of GDC as at the Latest Practicable Date, and for illustrative purpose, the effects to the shareholdings of the Company (i) upon full utilisation of the refreshed Issue Mandate (assuming it is granted on the Special General Meeting); and (ii) immediately after completion of the Subscription and upon full utilisation of the refreshed Issue Mandate.

Shareholders	As at the Latest Practicable Date		Upon full utilisation of the refreshed Issue Mandate		Immediately after completion of the Subscription and upon full utilisation of the refreshed Issue Mandate	
	Number of GDC Shares	%	Number of GDC Shares	%	Number of GDC Shares	%
Upper Nice and its associates	600,890,023	61.09	600,890,023	50.91	700,890,023	54.74
Directors	16,817,220	1.71	16,817,220	1.42	16,817,220	1.31
Other public shareholders	365,931,617	37.20	365,931,617	31.00	365,931,617	28.58
Exercise of the refreshed Issue Mandate	0	0.00	196,727,772	16.67	196,727,772	15.37
Total	<u>983,638,860</u>	<u>100.00</u>	<u>1,180,366,632</u>	<u>100.00</u>	<u>1,280,366,632</u>	<u>100.00</u>

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Assuming the refreshed Issue Mandate is fully utilised, new GDC Shares will be issued, which represent 20% of the issued share capital as at the Latest Practicable Date and approximately 16.67% of the enlarged issued share capital (as a result of the utilisation of the refreshed Issue Mandate) of GDC respectively.

Although the shareholdings of all Shareholders will be diluted in proportion to their respective interests in GDC upon exercise of the refreshed Issue Mandate, the refreshment of the Issue Mandate may provide a flexible financing option to GDC prior to the next annual general meeting of the Company to be convened normally in June 2007, we consider that the potential dilution to the shareholdings of the Shareholders (as described in this paragraph) to be acceptable.

V. RECOMMENDATION

Having considered the principal factors and reasons referred to in the above, we consider that (i) the Subscription Agreement was entered into on normal commercial terms and the terms of the Subscription Agreement are fair and reasonable and are in the interests of GDC and the Shareholders as a whole; and (ii) the Issue Mandate is fair and reasonable so far as the Independent Shareholders are concerned and that it is in the interests of GDC and the Shareholders as a whole. Accordingly, we advise the GDC Independent Board Committee to recommend to the GDC Independent Shareholders to vote in favor of the ordinary resolutions to be proposed at the Special General Meeting to approve the Subscription Agreement and the Issue Mandate.

Yours faithfully,

For and on behalf of

ACCESS CAPITAL LIMITED

Jeanny Leung

Managing Director

Jimmy Chung

Vice President

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 Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading, there are no other matters the omission of which would make any statement contained herein misleading and 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	Number of shares/underlying shares held in the Company			Total interests	Approximate percentage of shares in issue
	Personal interests	Other interests	Equity derivatives interests (share options)*		
Cao Zhong	–	–	8,008,200	8,008,200	0.81%
Chen Zheng	8,008,200	–	–	8,008,200	0.81%
Leung Shun Sang, Tony	8,008,200	–	–	8,008,200	0.81%
Jin Guo Ping	–	–	8,008,200	8,008,200	0.81%
Xu Qing, Catherine	–	–	8,008,200	8,008,200	0.81%
Kwong Che Keung, Gordon	–	–	800,820	800,820	0.08%
Bu Fan Xiao	–	–	800,820	800,820	0.08%
Hui Hung, Stephen	800,820	–	–	800,820	0.08%

* The relevant interests are unlisted physically settled equity derivatives pursuant to the GDC share option scheme adopted on 18 July 2003. The options at subscription price of HK\$0.30 per share may be exercised in accordance with the terms of the share option scheme in full at any time within three years from 6 October 2006 and the options will expire at the close of business on 5 October 2009. The share options are personal to the respective Directors.

Long positions in shares and underlying shares of GDC Technology Limited (“GDC Tech”)

Name of Director	Number of Shares/underlying Shares held in the GDC Tech			Total interests	Approximate percentage of shares in issue
	Personal interests	Other interests	Equity derivatives interests (share options)*		
Cao Zhong	4,266,667	–	4,266,667	8,533,334	5.29%
Chen Zheng	4,266,667	–	4,266,667	8,533,334	5.29%
Leung Shun Sang, Tony	2,130,000	–	3,333	2,133,333	1.32%
Kwong Che Keung, Gordon	–	–	1,706,667	1,706,667	1.06%
Xu Qing, Catherine	–	–	320,000	320,000	0.20%

* The relevant interests are unlisted physically settled equity derivatives pursuant to GDC Tech’s share option scheme adopted on 19 September 2006. The options at subscription price of HK\$0.145 per share may be exercised in accordance with the terms of the share option scheme in full at any time within three years from 29 September 2006 and the options will expire at the close of business on 28 September 2009.

Long positions in shares and underlying shares in Shougang Grand:

Name of Director	Number of Shares/underlying Shares held in the Shougang Grand			Total interests	Approximate percentage of shares in issue
	Personal interests	Other interests	Equity derivatives interests (share options)*		
Cao Zhong	8,278,679	–	11,368,000	19,646,679	1.73%
Chen Zheng	–	–	11,368,000	11,368,000	1.00%
Leung Shun Sang, Tony	8,278,000	–	11,368,679	19,646,679	1.73%

* The relevant interests are unlisted physically settled equity derivatives pursuant to Shougang Grand’s share option scheme adopted on 7 June 2002 (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 Shougang Grand 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 executive of the Company had any interest or short position in the shares, underlying shares and 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.

Save as disclosed in this circular, none of the Directors or proposed Director is a director or employee of a company which has an interest in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO.

(b) Service contracts

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group or any associated company of the Company (excluding contracts expiring or determinable within one year without payment of compensation other than statutory compensation).

(c) 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(s) of the Director in the entity
Cao Zhong	Shougang Grand (Note 1)	Property investment and management financial services and cultural recreation content provision (Note 2)	Vice-chairman and Managing Director
Cheng Zheng	Shougang Grand (Note 1)	Property investment and management financial services and cultural recreation content provision (Note 2)	Managing Director of operation
Leung Shun Sang, Tony	Shougang Grand (Note 1)	Property investment and management financial services and cultural recreation content provision (Note 2)	Director

Notes:

- (1) Shougang Grand through Upper Nice Assets Ltd. indirectly holds approximately 61.09% interests in the Company.
- (2) Those businesses are carried out through its subsidiaries or associates or by way of other form of investments.

Save as disclosed above, as at the Latest Practicable Date, in so far as the Directors were aware, none of the Directors or their respective associates had any interest in a business that competed or was likely to compete with the business of the Group.

(d) Directors' interests in assets and contracts

None of the Directors had any direct or indirect interest in any assets which have been acquired or disposed 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 since 31 December 2006, being the date to which the latest published audited accounts of the Group were made up.

None of the Directors was materially interested, directly or indirectly, in any contract or arrangements entered into by any member of the Group subsisting at the Latest Practicable Date and which was significant in relation to 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	Percentage of interest as to the issued share capital of the Company	Note(s)
Shougang Holding (Hong Kong) Limited (" Shougang Holding ")	Interests in controlled corporation	700,890,023	71.25	1
Shougang Grand	Interests in controlled corporation	700,890,023	71.25	1
Upper Nice Assets Ltd. (" Upper Nice ")	Beneficial owner	700,466,023	71.21	1

- (1) Upper Nice is an indirectly wholly-owned subsidiary of Shougang Grand which is incorporated in Bermuda as an exempted company with limited liability with its securities listed on the Main Board of the Stock Exchange and is regarded to be held as to approximately 37.83% by Shougang Holding as recorded under the register Shougang Grand kept under Section 336 of the SFO. The interests held by Upper Nice are included in the interests held by both of Shougang Grand and Shougang Holding.
- (b) Save as disclosed above, the Directors and chief executive 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

As at the Latest Practicable Date, the Group is engaged in the following litigation or arbitration of material importance:

- (a) 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. No decision has yet been made as to the substance of P&PM and WAMC’s claim against GDC Entertainment in 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 in any event 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 Coproduction 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 has referred to arbitration. The hearing of the application was held on 20 January 2006. The arbitrator published her Award 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 the further conduct of the arbitration.

- (b) On 16 August 2006, 深圳大學文化科技服務有限公司 (“**Shenzhen University**”) commenced legal action in the People’s Court (Nanshan District) (“**Nanshan Court**”) in the PRC against Shenzhen IDMT, a wholly-owned subsidiary of GDC for, among others, unpaid rent, related expenses and compensation in the amount of RMB8,960,000. On 14 September 2006, Shenzhen IDMT filed a counterclaim against Shenzhen University for, among others, compensation for renovation fee and relocation expenses in the amount of approximately RMB10,726,000 and RMB6,000,000 respectively and returns of rental deposit. On 19 March 2007, Shenzhen University filed an application to the Nanshan Court to withdraw its claim against Shenzhen IDMT. On 22 March 2007, Shenzhen IDMT filed an application to the Nanshan Court to withdraw its counterclaim against Shenzhen University. Both applications are pending approval by the Nanshan Court.

Save as disclosed above, neither the Company nor any other members of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group as at the Latest Practicable Date.

5. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading positing of the Group since 31 December 2006, being the date to which the latest published audited accounts of the Company were made up.

6. QUALIFICATION AND CONSENT OF EXPERT

Access Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which they appear.

The qualification of the expert who has provided its advice which is contained in this circular is as follows:

Name	Qualification
Access Capital Limited	A corporation licensed under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO.

Save as disclosed in this circular, as at the Latest Practicable Date, Access Capital Limited was not interested in any GDC Share or share in any member of the GDC Group nor did it have any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any GDC Share or share in any member of the GDC Group.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any Business Day at the head office and principal place of business of the Company in Hong Kong at 6/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong from the date of this circular up to and including the date of the Special General Meeting:

- (a) the memorandum of association and Bye-laws of the Company;
- (b) the annual reports of the Company for the two years ended 31 December 2006;
- (c) the letter of recommendation from the GDC Independent Board Committee to the GDC Independent Shareholders, the text of which is set out on page 10 of this circular;
- (d) the letter of advice from the Independent Financial Adviser to the GDC Independent Board Committee and GDC Independent Shareholders, the text of which is set out on pages 11 to 24 in this circular;
- (e) the written consent from the Independent Financial Adviser referred to in paragraph 6 of this Appendix; and
- (f) the Subscription Agreement.

8. MISCELLANEOUS

- (a) The registered office of the Company is at Clarendon House, 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 registrar and transfer office is The Bank of Bermuda Limited, Bank of Bermuda Building, 6 Front Street, Hamilton HM11, Bermuda and the Company's Hong Kong branch share registrar and transfer office is Standard Registrars Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (c) The company secretary of the Company is Ms. Foo Man Yee, Carina, who is an associate member of The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators and holds a master degree in business administration.
- (d) The qualified accountant of the Company is Mr. Tsang Yu Tit 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 an executive Director.

- (f) The Company has established an audit committee with written terms of reference in compliance with 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 of Directors. 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.

NOTICE OF SPECIAL GENERAL MEETING



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 Board Room, Renaissance Harbour View Hotel, Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 23 April 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 subscription agreement (the “**Subscription Agreement**”) dated 16 March 2007 entered into between Upper Nice Assets Limited (“**Upper Nice**”), an indirect wholly owned subsidiary of Shougang Concord Grand (Group) Limited (“**Shougang Grand**”) and the Company, a copy of which is tabled at the meeting and marked “A” and initialled by the chairman of the meeting for identification purpose, pursuant to which Upper Nice will subscribe 100,000,000 new GDC Shares at HK\$0.54 per GDC Share be and is hereby confirmed, ratified and approved; and
- (b) any one director of the Company, or any two directors of the Company 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/them to be incidental to, ancillary to or in connection with the matters contemplated in and completion of the Subscription Agreement.”

(2) **“THAT:**

- (a) subject to paragraph (c) below, the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements, options and rights of exchange or conversion which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) shall be in addition to any other authorisation given to the directors of the Company and shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements, options and rights of exchange or conversion which might require the exercise of such powers after the end of the Relevant Period;

* For identification purpose only

NOTICE OF SPECIAL GENERAL MEETING

- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval granted in paragraph (a), otherwise than pursuant to (i) a Rights Issue, or (ii) the share option scheme of the Company approved by The Stock Exchange of Hong Kong Limited, or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the bye-laws of the Company, shall not exceed 20 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this resolution, and the said approval shall be limited accordingly; and

- (d) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of-

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by law or the Company’s bye-laws to be held; or
- (iii) the date upon which the authority set out in this resolution is revoked or varied by way of ordinary resolution of the Company in general meeting; and

“Rights Issue” means an offer of shares open for a period fixed by the directors of the Company to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction, or the requirements of any recognised regulatory body or any stock exchange, in any territory outside Hong Kong).”

(3) **“THAT**

- (a) the increase in the authorised share capital of the Company from HK\$12,000,000 divided into 1,200,000,000 GDC Shares to HK\$24,000,000 divided into 2,400,000,000 GDC Shares by the creation of an additional 1,200,000,000 unissued GDC Shares be and is hereby approved; and

NOTICE OF SPECIAL GENERAL MEETING

- (b) the Directors be and are generally authorised to do all such acts and things and execute all such documents, including under seal where applicable, as they consider necessary or expedient to give effect to the increase in the authorised share capital of the Company.”

Yours faithfully,

By Order of the Board of

GLOBAL DIGITAL CREATIONS HOLDINGS LIMITED

Cao Zhong

Chairman and Executive Director

Hong Kong, 4 April 2007

Registered office:

Clarendon House
Church Street
Hamilton HM 11
Bermuda

Principal place of business in Hong Kong

6/F
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai, Hong Kong

Notes:

1. A form of proxy for use at the meeting is enclosed herewith.
2. Any member entitled to attend and vote at the meeting 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. If more than one proxy is appointed, the appointment shall specify the number and class of the shares in respect of which each such proxy is so appointed.
3. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be lodged at the Company's principal place of business in Hong Kong at 6/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, 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 will not preclude Shareholders from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of 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 at the meeting, 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 of the Company shall alone be entitled to vote in respect of such share.
6. The resolution shall be voted by way of poll by shareholders who are not interested or involved in the Subscription Agreement, being shareholders other than Shougang Grand and their associates.

As at the date of this notice, the board of directors comprises Mr. Cao Zhong (Chairman and Executive Director), Mr. Chen Zheng (Chief Executive Officer and Executive Director), Mr. Jin Guo Ping and Dr. Xu Qing, Catherine (Vice Presidents and Executive Directors), Mr. Leung Shun Sang, Tony (Non-executive Director), Mr. Kwong Che Keung, Gordon, Professor Bu Fan Xiao and Mr. Hui Hung, Stephen (Independent Non-Executive Directors).