
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 (“the Company”), you should at once hand this circular to the purchaser, the transferee or to the bank, licensed securities dealer or other agent through whom the sale or the transfer was effected for onward transmission to the purchaser or the transferee.

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

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of Global Digital Creations Holdings Limited.



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)

DISCLOSEABLE TRANSACTION PROPOSED DEEMED DISPOSAL OF INTEREST IN GDC TECHNOLOGY LIMITED AND PROPOSED SUBSCRIPTION OF NEW SHARES IN GLOBAL DIGITAL CREATIONS HOLDINGS LIMITED

Financial adviser to Global Digital Creations Holdings Limited



CIMB-GK Securities (HK) Limited

A notice convening the Special General Meeting to be held at JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Friday, 12 January 2007 at 10:30 a.m. is set out on pages 19 to 20 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 the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit with the Company's Hong Kong branch share registrar and transfer office in Hong Kong, 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 the holding of the special general meeting. 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 should you so wish.

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

* For identification purpose only

27 December 2006

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.

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DEFINITIONS

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

| | |
|------------------------------|--|
| “associate” | has the meaning as ascribed to it under the GEM Listing Rules |
| “Agreements” | the GDC Subscription Agreement and the GDC Tech Subscription Agreement |
| “Announcement” | the joint announcement dated 5 December 2006 of Shougang Grand and GDC in relation to the proposed deemed disposal of interest in GDC Tech and proposed subscription of new shares in GDC |
| “Board” | the board of Directors |
| “connected person” | has the meaning as ascribed to it under the GEM Listing Rules |
| “Director(s)” | the director(s) of GDC |
| “GDC” or “Company” | Global Digital Creations Holdings Limited, a company incorporated in Bermuda with limited liability whose securities are listed on the GEM |
| “GDC Share(s)” or “Share(s)” | ordinary share(s) of HK\$0.01 each in the capital of GDC |
| “GDC Subscriber” | Great Horizon International Limited, a company incorporated in the British Virgin Islands whose principal activity is investment holding |
| “GDC Subscription” | the subscription of the GDC Subscription Shares by the GDC Subscriber pursuant to the GDC Subscription Agreement |
| “GDC Subscription Agreement” | the subscription agreement dated 1 December 2006 entered into between GDC and the GDC Subscriber |
| “GDC Subscription Price” | HK\$ 0.2436 per GDC Subscription Share |
| “GDC Subscription Shares” | 40,000,000 new GDC Shares, representing approximately 4.99% of the existing issued share capital of GDC and approximately 4.75% of the issued share capital of GDC as enlarged by the GDC Subscription |
| “GDC Share Option Scheme” | the share option scheme adopted by GDC dated 18 July 2003 |
| “GDC Tech” | GDC Technology Limited, a company incorporated in the British Virgin Islands, and is indirectly owned as to approximately 83.34% by GDC before the completion of the GDC Tech Subscription |

DEFINITIONS

| | |
|-----------------------------------|--|
| “GDC Tech Share(s)” | share(s) of HK\$0.10 each in the capital of GDC Tech |
| “GDC Tech Share Option Scheme” | the share option scheme adopted by GDC Tech dated 19 September 2006 |
| “GDC Tech Subscriber” | Greater Appeal Investments Limited, a company incorporated in the British Virgin Islands whose principal activity is investment holding |
| “GDC Tech Subscription” | the subscription of the GDC Tech Subscription Shares by the GDC Tech Subscriber pursuant to the GDC Tech Subscription Agreement |
| “GDC Tech Subscription Agreement” | the subscription agreement dated 1 December 2006 entered into between GDC Tech and the GDC Tech Subscriber |
| “GDC Tech Subscription Price” | US\$0.12408 per GDC Tech Subscription Share |
| “GDC Tech Subscription Shares” | 52,383,580 new GDC Tech Shares, representing approximately 48.14% of the existing issued share capital of GDC Tech and approximately 32.49% of the issued share capital of GDC Tech as enlarged by the GDC Tech Subscription |
| “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” | GDC and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Hong Kong GAAP” | Generally Accepted Accounting Principles in Hong Kong |
| “Latest Practicable Date” | 21 December 2006, being the latest practicable date prior to the printing of this circular for the purposes of ascertaining certain information contained herein |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange and any amendments thereto |
| “PRC” | the People’s Republic of China but excluding, for the purposes of the Agreements and this circular, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| “SFO” | The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended from time to time) |

DEFINITIONS

| | |
|---------------------------|---|
| “SGM” | the special general meeting of GDC to be held for the purpose of approving the GDC Tech Subscription Agreement and the transactions contemplated thereunder |
| “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 GDC |
| “Shougang Grand Share(s)” | ordinary shares of HK\$0.01 each in the share capital of Shougang Grand |
| “Shareholder(s)” | the holder(s) of the GDC Share(s) |
| “Shenzhen IDMT” | Institute of Digital Media Technology (Shenzhen) Limited, a company established in the PRC, and is a wholly-owned subsidiary of GDC |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “United States” | the United States of America |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “US\$” | United States dollars, the lawful currency of the United States |
| % | per cent. |

In this circular, conversion of US\$ into HK\$ is based on the exchange rate of US\$1.00 = HK\$7.78. No representation is made that any amount in US\$ could have been or could be converted at the above rate or at any other rates or at all.

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 Street
Hamilton HM11
Bermuda

Non-executive Directors:

Mr. Leung Shun Sang, Tony
Dr. Deng Wei, David (Vice-Chairman)

Principal place of business

in Hong Kong:

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

Independent non-executive Directors:

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

Alternate Director

Mr. Zhang Dong Sheng
(Alternate to Dr. Deng Wei, David)

27 December 2006

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION
PROPOSED DEEMED DISPOSAL OF INTEREST IN
GDC TECHNOLOGY LIMITED
AND
PROPOSED SUBSCRIPTION OF NEW SHARES IN
GLOBAL DIGITAL CREATIONS HOLDINGS LIMITED**

INTRODUCTION

On 1 December 2006, GDC Tech, a non wholly-owned subsidiary of GDC, has entered into the GDC Tech Subscription Agreement with the GDC Tech Subscriber, and GDC has entered into the GDC Subscription Agreement with the GDC Subscriber.

* For identification purpose only

LETTER FROM THE BOARD

Pursuant to the GDC Tech Subscription Agreement, GDC Tech has conditionally agreed to issue and allot to the GDC Tech Subscriber, and the GDC Tech Subscriber has conditionally agreed to subscribe for the GDC Tech Subscription Shares at the GDC Tech Subscription Price for an aggregate consideration of approximately US\$6.5 million (equivalent to approximately HK\$50.57 million). The GDC Tech Subscription Shares represent approximately 48.14% of the existing issued share capital of GDC Tech and approximately 32.49% of the issued share capital of GDC Tech as enlarged by the GDC Tech Subscription.

The GDC Tech Subscription Agreement constitutes a deemed disposal of interest in a major subsidiary under Rule 17.39(2) of the GEM Listing Rules, and a discloseable transaction under Chapter 19 of the GEM Listing Rules. Accordingly, the GDC Tech Subscription Agreement is subject to approval by the Shareholders at the SGM.

Pursuant to the GDC Subscription Agreement, GDC has conditionally agreed to issue and allot to the GDC Subscriber, and the GDC Subscriber has conditionally agreed to subscribe for the GDC Subscription Shares at the GDC Subscription Price for an aggregate consideration of approximately HK\$9.74 million, representing approximately 4.99% of the existing issued share capital of GDC and approximately 4.75% of the issued share capital of GDC as enlarged by the GDC Subscription.

The GDC Subscription is conditional upon, among other things, the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, the GDC Subscription Shares.

The purpose of this circular is to provide you with further information on, among other things, details of the Agreements, and the notice to convene the SGM.

GDC TECH SUBSCRIPTION AGREEMENT

Dated: 1 December 2006

Parties:

- (i) GDC Tech, a non wholly-owned subsidiary of GDC; and
- (ii) GDC Tech Subscriber, an investment holding company ultimately beneficially wholly-owned by Mr. Li Ka-shing who, through his associates, currently holds approximately 11.70% shareholding interest in Shougang Grand. As at the date of Latest Practicable Date, save for the indirect shareholding interest in GDC through his associates' shareholding interest in Shougang Grand, Mr. Li Ka-shing and his associates do not have any shareholding interest in GDC nor have nominated any director to the Board. The GDC Tech Subscriber is an independent party to GDC under the GEM Listing Rules.

Shares to be issued

52,383,580 GDC Tech Subscription Shares, representing approximately 48.14% of the existing issued share capital of GDC Tech and approximately 32.49% of the issued share capital of GDC Tech as enlarged by the GDC Tech Subscription. Upon completion of the GDC Tech Subscription Agreement, GDC's shareholding interest in GDC Tech will be diluted from approximately 83.34% to 56.25%, and GDC Tech will continue to be a subsidiary of GDC and the assets and results of GDC Tech would continue to be consolidated into the consolidated financial statements of GDC.

LETTER FROM THE BOARD

Consideration

The total cash consideration for the GDC Tech Subscription Shares amounts to approximately US\$6.5 million (equivalent to approximately HK\$50.57 million), representing US\$0.12408 (equivalent to approximately HK\$0.965) per GDC Tech Subscription Share. Such consideration has been determined after arm's length negotiation between the parties thereto with reference to the digital content distribution related projects under negotiation and future prospects of GDC Tech in light of the trend of deployment of digital cinemas worldwide, and the market valuation of a publicly traded comparable company in the United States, which is engaged in digital content distribution related activities.

The Directors consider that the GDC Tech Subscription Price is fair and reasonable so far as GDC and the Shareholders are concerned.

Conditions to completion

Completion of the GDC Tech Subscription Agreement shall be conditional upon, among other things:

- (i) the passing by the shareholders of Shougang Grand and GDC (other than those prohibited from voting under the Listing Rules and the GEM Listing Rules (as the case may be)), as required under the Listing Rules and the GEM Listing Rules (as the case may be), of all necessary resolutions at the SGM and the special general meeting of Shougang Grand approving the GDC Tech Subscription Agreement, the allotment and issue of the GDC Tech Subscription Shares and other transactions contemplated hereunder; and
- (ii) the GDC Subscription Agreement having become unconditional in accordance with terms thereof (other than conditions in connection with completion of the GDC Tech Subscription Agreement).

Completion will take place on the third business day after all of the conditions of the GDC Tech Subscription Agreement have been satisfied. If the conditions are not fulfilled (or in the case of, among others, the condition set out in (ii) above, waived by the GDC Tech Subscriber in writing) on or before 30 June 2007, the GDC Tech Subscription Agreement shall terminate and neither of the parties shall have any claim against the other for costs, damages, compensation or otherwise, except that such termination shall not affect the then accrued rights and obligations of the parties.

GDC SUBSCRIPTION AGREEMENT

Dated: 1 December 2006

Parties: (i) GDC; and

- (ii) GDC Subscriber, an investment holding company ultimately beneficially wholly-owned by Mr. Li Ka-shing who, through his associates, currently holds approximately 11.70% shareholding interest in Shougang Grand. As at the Latest Practicable Date, save for the indirect shareholding interest in GDC through his associates' shareholding interest in Shougang Grand, Mr. Li Ka-shing and his associates do not have any shareholding

LETTER FROM THE BOARD

interest in GDC nor have nominated any director to the Board. The GDC Subscriber is an independent party of GDC under the GEM Listing Rules.

Shares to be issued

40,000,000 GDC Subscription Shares, representing approximately 4.99% of the existing issued share capital of GDC and approximately 4.75% of the issued share capital of GDC as enlarged by the GDC Subscription.

The GDC Subscription Shares will be issued pursuant to the existing general mandate of GDC granted by the shareholders of GDC on 26 May 2006, which remained unutilised as at the Latest Practicable Date, and will rank pari passu in all respects with the other GDC Shares in issue on the date of completion of the GDC Subscription Agreement including the rights to all dividends and other distributions declared, made or paid at any time on or after the date of allotment of such GDC Subscription Shares.

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

Upon completion of the GDC Subscription Agreement, Shougang Grand's shareholding interest in GDC will be diluted from approximately 74.98% to 71.41%, and GDC will continue to be a subsidiary of Shougang Grand, and the assets and results of GDC would continue to be consolidated into the consolidated financial statements of Shougang Grand.

Consideration

HK\$0.2436 per GDC Subscription Share, which has been determined after arm's length negotiation between the parties thereto with reference to the average closing price of GDC Shares as quoted on the GEM for the last 30 trading days, up to and including 30 November 2006 (being the last trading day immediately before the date of the GDC Subscription Agreement), and represents (i) a discount of approximately 4.5% to the closing price of GDC Shares of HK\$0.2550 as quoted on GEM on 1 December 2006 (being the last trading day immediately before the suspension of trading of the GDC Shares pending the release of the Announcement), (ii) a discount of approximately 6.3% to the closing price of GDC Shares of HK\$0.26 as at the Latest Practicable Date, and (iii) a premium over the audited consolidated net liability of GDC per GDC Share of approximately HK\$0.16 as at 31 December 2005. Based on the GDC Subscription Price, the total consideration of the GDC Subscription is approximately HK\$9.74 million which will be settled by cash.

The Directors consider that the GDC Subscription Price is fair and reasonable so far as GDC and the Shareholders are concerned.

LETTER FROM THE BOARD

Conditions to completion

Completion of the GDC Subscription Agreement shall be conditional upon, among other things:

- (i) the approval for the listing of, and permission to deal in, the GDC Subscription Shares being granted by the Listing Committee of the Stock Exchange;
- (ii) the passing by the shareholders of Shougang Grand and GDC (other than those prohibited from voting under the Listing Rules and the GEM Listing Rules (as the case may be)), as required under the Listing Rules and the GEM Listing Rules (as the case may be), of all necessary resolutions at the SGM and the special general meeting of Shougang Grand approving the GDC Subscription Agreement, the allotment and issue of the GDC Subscription Shares and other transactions contemplated hereunder; and
- (iii) the GDC Tech Subscription Agreement having become unconditional in accordance with terms thereof (other than conditions in connection with completion of the GDC Subscription Agreement).

Completion will take place on the third business day after all of the conditions of GDC Subscription Agreement have been satisfied. If the conditions are not fulfilled (or in the case of, among others, the condition set out in (iii) above, waived by the GDC Subscriber in writing) on or before 30 June 2007, the GDC Subscription Agreement shall terminate and neither of the parties shall have any claim against the other for costs, damages, compensation or otherwise, except that such termination shall not affect the then accrued rights and obligations of the parties.

INFORMATION RELATING TO GDC AND GDC TECH

GDC and its subsidiaries are principally engaged in the digital content business, encompassing creation, production and distribution of digital contents. GDC Tech, a non wholly-owned subsidiary of GDC, is principally engaged in the provision of computing solutions for digital content distribution and exhibitions on a worldwide basis.

The following table shows the audited consolidated financial information of GDC for the two years ended 31 December 2005 and the unaudited consolidated financial information of GDC for the six months ended 30 June 2006 and the nine months ended 30 September 2006, which has been prepared in accordance with Hong Kong GAAP:

| | For the year ended | | For the | For the |
|---|--------------------|----------|------------|--------------|
| | 31 December | | six months | nine months |
| | 2004 | 2005 | ended | ended |
| | Audited | Audited | 30 June | 30 September |
| | HK\$'000 | HK\$'000 | 2006 | 2006 |
| | | | Unaudited | Unaudited |
| | | | HK\$'000 | HK\$'000 |
| Loss before taxation | (131,202) | (76,205) | (18,843) | (23,096) |
| Loss attributable to ordinary equity holders of GDC | (131,227) | (76,356) | (18,843) | (23,096) |

LETTER FROM THE BOARD

The unaudited consolidated net liability of GDC prepared under Hong Kong GAAP was approximately HK\$147.20 million as at 30 June 2006.

The following table shows the unaudited consolidated financial information of GDC Tech for the two years ended 31 December 2005, the six months ended 30 June 2006 and the nine months ended 30 September 2006, which has been prepared in accordance with Hong Kong GAAP:

| | For the year ended | | For the | For the |
|--|---------------------------|---------------------|-------------------|--------------------|
| | 31 December | | six months | nine months |
| | 2004 | 2005 | ended | ended |
| | 30 June | 30 September | 2006 | 2006 |
| | Unaudited | Unaudited | Unaudited | Unaudited |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Profit/(loss) before taxation | 229 | (10,932) | (4,993) | (6,266) |
| Loss attributable to ordinary equity holders of GDC Tech | (208) | (10,572) | (4,993) | (6,266) |

The unaudited consolidated net liability of GDC Tech prepared under Hong Kong GAAP was approximately HK\$36.67 million as at 30 June 2006.

REASONS FOR ENTERING INTO THE AGREEMENTS

The Directors noted that in 2006, there has been a significant increase in the number of digital cinemas around the world, which involve the conversion of film projector-based analogue cinemas deployment to digital projector and server based digital cinemas. The Directors are of the view that such trend will bring ample business opportunities to GDC Tech, which has been actively developing its digital cinema business in recent years, and consider that it is in the interest of GDC Tech to secure additional funding, by entering into the GDC Tech Subscription Agreement, to expedite the rolling out of GDC Tech's business plan, including the intended provision of digital cinema equipment and related network operation service to Shenzhen IDMT, a wholly-owned subsidiary of GDC, for its co-operation agreement signed with China Film Group Corporation as announced by GDC on 31 October 2006. The net proceeds of approximately HK\$50.07 million of the GDC Tech Subscription Agreement will be utilised for business expansion of GDC Tech in the PRC and other countries and for enhancement of research and development activities of GDC Tech.

As regards to the GDC Subscription Agreement, the Directors consider that it will enlarge the existing capital and investor base of GDC and the net proceeds of approximately HK\$9.23 million will be used as general working capital of GDC.

The Directors consider that the terms of the Agreements, where were negotiated on an arm's length basis, are fair and reasonable and that the Agreements are entered into on normal commercial terms and are in the best interest of GDC and the Shareholders as a whole.

LETTER FROM THE BOARD

FINANCIAL EFFECTS

GDC expects to realise an unaudited gain on the deemed disposal of interest in GDC Tech pursuant to the GDC Tech Subscription Agreement of approximately HK\$45.66 million, being the difference between GDC's attributable interest in (i) the unaudited consolidated net liability of GDC Tech of approximately HK\$36.67 million as at 30 June 2006, and (ii) the net asset value of GDC Tech as at 30 June 2006 after taking into consideration the completion of the GDC Tech Subscription. Shareholders should note that the actual gain on the deemed disposal of interest in GDC Tech to be recorded by GDC depends on the net asset/liability of GDC Tech as at the date of completion of the GDC Tech Subscription Agreement.

Upon completion of the GDC Tech Subscription Agreement, GDC's shareholding interest in GDC Tech will be diluted from approximately 83.34% to 56.25%, and GDC Tech will remain a subsidiary of GDC and its financial results and assets and liabilities will remain to be consolidated into the consolidated financial statements of GDC.

GENERAL

The GDC Tech Subscription Agreement constitutes a deemed disposal of interest in a major subsidiary under Rule 17.39(2) of the GEM Listing Rules, and a discloseable transaction under Chapter 19 of the GEM Listing Rules. Accordingly, pursuant to Rule 17.39(2) of the GEM Listing Rules, the GDC Tech Subscription Agreement is subject to approval by the Shareholders at the SGM.

SGM

GDC will convene the SGM at JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Friday, 12 January 2007 at 10:30 a.m. at which an ordinary resolution will be proposed for the purpose of considering and, if thought fit, approving the GDC Tech Subscription Agreement. No Shareholder is required to abstain from voting in such SGM.

A form of proxy for use by the Shareholders at the SGM and at any adjournment thereof is enclosed. Whether or not you propose to attend and vote at the SGM in person, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar and transfer office in Hong Kong, Standard Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM, or any adjourned meeting, should you so wish.

PROCEDURE FOR DEMANDING A POLL AT THE SGM

Pursuant to Bye-law 66 of the Bye-laws of the Company, a poll may be demanded by:

- (a) by the chairman of such meeting; or

LETTER FROM THE BOARD

- (b) by at least three members of the Company present in person (or in the case of a Member being a corporation by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (c) by a member or members of the Company present in person (or in the case of a Member being a corporation by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all Members having the right to vote at the meeting; or
- (d) by a member or members of the Company present in person (or in the case of a Member being a corporation by its duly authorised representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which and aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right; or
- (e) if required by the rules of the Designated Stock Exchange, by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent. (5%) or more of the total voting rights at such meeting.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendix to this circular.

By Order of the Board
GLOBAL DIGITAL CREATIONS HOLDINGS LIMITED
Chen Zheng
Chief Executive Officer

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. DIRECTORS' AND CHIEF EXECUTIVES' 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 in GDC:

| Name of Director | Number of shares/underlying shares held in GDC | | | | Approximate percentage of shares in issue |
|-------------------------|--|------------------|---|-----------------|---|
| | Personal interests | Others interests | Equity derivatives interests (share options)* | Total interests | |
| Cao Zhong | – | – | 8,008,200 | 8,008,200 | 1.00% |
| Chen Zheng | – | – | 8,008,200 | 8,008,200 | 1.00% |
| Leung Shun Sang, Tony | – | – | 8,008,200 | 8,008,200 | 1.00% |
| Jin Guo Ping | – | – | 8,008,200 | 8,008,200 | 1.00% |
| Xu Qing, Catherine | – | – | 8,008,200 | 8,008,200 | 1.00% |
| Kwong Che Keung, Gordon | – | – | 800,820 | 800,820 | 0.10% |
| Bu Fan Xiao | – | – | 800,820 | 800,820 | 0.10% |
| Hui Hung, Stephen | – | – | 800,820 | 800,820 | 0.10% |

* 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 Shougang Grand

| Name of Director | Number of shares/underlying shares held in Shougang Grand | | | | Approximate percentage of shares in issue |
|-----------------------|--|---------------------|-------------------------------|--------------------|--|
| | Personal interests | Others interests | Equity derivatives | Total interests | |
| | | | interests (share options)* | | |
| Cao Zhong | 8,278,679 | – | – | 8,278,679 | 0.73% |
| Leung Shun Sang, Tony | 8,278,000 | – | 679 | 8,278,679 | 0.73% |

* 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.

Long positions in shares and underlying shares of GDC Tech

| Name of Director | Number of shares/underlying shares held in GDC Tech | | | | Approximate percentage of shares in issue |
|-------------------------|--|---------------------|------------------------------------|--------------------|--|
| | Personal interests | Others interests | Equity derivatives interests | Total interests | |
| | | | (share options)* | | |
| Cao Zhong | 4,266,667 | – | 4,266,667 | 8,533,334 | 7.84% |
| Chen Zheng | 4,266,667 | – | 4,266,667 | 8,533,334 | 7.84% |
| Leung Shun Sang, Tony | 2,130,000 | – | 3,333 | 2,133,333 | 1.96% |
| Kwong Che Keung, Gordon | – | – | 1,706,667 | 1,706,667 | 1.57% |
| Xu Qing, Catherine | – | – | 320,000 | 320,000 | 0.29% |

* The relevant interests are unlisted physically settled equity derivatives pursuant to the 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.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the 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.

(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 |
| Chen 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 82.22% (including underlying shares) 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.

3. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

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 | Approximate percentage of interests as to the issued share capital of the Company | Note(s) |
|---|--------------------------------------|--------------------------------------|---|---------|
| Shougang Holding (Hong Kong) Limited (“ Shougang Holding ”) | Interests in controlled corporation | 658,466,023 | 82.22% | 1 |
| Shougang Grand | Interests in controlled corporation | 658,466,023 | 82.22% | 1 |
| Upper Nice Assets Ltd. (“ Upper Nice ”) | Beneficial owner | 658,466,023 | 82.22% | 1 |
| Sotas Limited (“ Sotas ”) | Beneficial owner | 55,544,102 | 6.94% | 2 |
| Morningside CyberVentures Holdings Limited (“ Morningside ”) | Other | 55,544,102 | 6.94% | 2 |
| Biswick Holdings Limited (“ Biswick ”) | Other | 55,544,102 | 6.94% | 2 |
| Verrall Limited (“ Verrall ”) | Other | 55,544,102 | 6.94% | 2 |
| Verrall Enterprises Holdings Limited | Other | 55,544,102 | 6.94% | 2 |
| Madam Chan Tan Ching Fen | Other | 55,544,102 | 6.94% | 2 |

Notes:

- (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 41% 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.

Upper Nice (as the grantor) and Shougang Grand (as the guarantor) granted the Put Options (as defined in the joint announcement of the Company and Shougang Grand dated 25 August 2005) and whereby Upper Nice is obliged to purchase 58,000,000 shares of the Company, representing approximately 7.24% issued share capital of the Company at the exercise price of HK\$0.22 per share. On 5 November 2005, the 58,000,000 Options Shares have been transferred to Mr. Li Baoku at a price of HK\$0.20 per Option Share and the Put Option relating to such Option Shares have also been assigned to Mr. Li Baoku.

- (2) The 55,544,102 shares were held by Sotas, a company incorporated in the British Virgin Islands with limited liability. Sotas is wholly-owned by Morningside. Morningside is wholly-owned by Biswick in its capacity as trustee of a unit trust and units of which are owned by Verrall Enterprises Holdings Limited and Verrall in their capacities as trustees of family trusts established by Madam Chan Tan Ching Fen. Madam Chan Tan Ching Fen is taken to be interested in the shares disclosed herein in her capacity as founder of the trust (as that term is defined as the SFO).

Short positions in the Shares

| Name of shareholder | Capacity in which interests are held | Number of shares held in the Company | Approximate percentage of interests as to the issued share capital of the Company | Note |
|---------------------|--------------------------------------|--------------------------------------|---|------|
| Mr. Li Baoku | Beneficial owner | 58,000,000 | 7.24% | 1 |

Note:

- (1) On 5 November 2005, 58,000,000 Option Shares have been transferred to Mr. Li Baoku at a price of HK\$0.20 per Option Share and the Put Options (as defined in the joint announcement of the Company and Shougang Grand dated 25 August 2005) relating to such Option Shares have also been assigned to Mr. Li Baoku. Pursuant to the Option Agreement, in the event that exercises the Put Options, Mr. Li Baoku shall be entitled to sell up to all of the Option Shares beneficially owned by Mr. Li Baoku at the exercise price HK\$0.22 and Upper Nice is obliged to purchase the 58,000,000 Option Shares of the Company in respect of which the Put Option is exercised at such exercise price.

Save as disclosed above, the Directors and the 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 Angouleme (France) alleging breaches on the part of GDC Entertainment of the Co-production Agreement.

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

Further, arbitration proceedings were commenced by GDC Entertainment against P&PM and WAMC in Hong Kong by way of a notice of arbitration dated 16 June 2005 issued pursuant to the Co-production Agreement. In the arbitration, issues had been raised by GDC Entertainment as to whether P&PM and/or WAMC was in repudiatory breach of the Co-production Agreement which entitled GDC Entertainment to terminate the same claim of damages from P&PM and WAMC. Pleadings have not yet been exchanged in the arbitration. P&PM and WAMC have applied to the arbitrator for the determination of a preliminary issue as to whether the arbitrator has jurisdiction to hear the dispute which GDC Entertainment will refer to the arbitrator in the arbitration. The hearing of the application was held on 20 January 2006. 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 how she would like to proceed with 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) 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. This action is continuing.

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. GENERAL

- (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, Mr. 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, Mr. Bu Fan Xiao and Mr. Hui Hung, Stephen, please refer to pages 23 and 24 of the Company's annual report for the year ended 31 December 2005.
- (g) The English text of this circular shall prevail over the Chinese text.

NOTICE OF SGM



GLOBAL DIGITAL CREATIONS HOLDINGS LIMITED

環球數碼創意控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8271)

NOTICE IS HEREBY GIVEN that a special general meeting of Global Digital Creations Holdings Limited (the “Company”) will be held at JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Friday, 12 January 2007 at 10:30 a.m. for the purpose of considering, and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (a) the subscription agreement (the “GDC Tech Subscription Agreement”) dated 1 December 2006 entered into between GDC Technology Limited (“GDC Tech”), a non wholly-owned subsidiary of the Company, and Greater Appeal Investments Limited (the “GDC Tech Subscriber”), a copy of which is tabled at the meeting and marked “A” and initialled by the chairman of the meeting for identification purposes, pursuant to which the GDC Tech Subscriber has agreed to subscribe for 52,383,580 new shares in GDC Tech at US\$0.12408 per share is hereby approved, confirmed and ratified; and
- (b) any one director of the Company, or any two directors of the Company if the affixation of the common seal of the Company is necessary, be and is hereby authorised 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 for completion of the transactions contemplated under the GDC Tech Subscription Agreement.”

By Order of the Board
Global Digital Creations Holdings Limited
Chen Zheng
Chief Executive Officer

Hong Kong, 27 December 2006

Principal place of business in Hong Kong:

6th Floor

Bank of East Asia Harbour View Centre

56 Gloucester Road

Wanchai, Hong Kong

NOTICE OF SGM

Notes:

1. A form of proxy for use at the meeting is enclosed with the circular of the Company dated 27 December 2006.
2. Any member of the Company entitled to attend and vote at the meeting of the Company by the above notice shall be entitled to appoint another person as his/her proxy to attend and vote instead of such member. A proxy need not be a member of the Company.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.
4. The instrument appointing a proxy and (if required by the Board) the power of attorney or other authority (if any) under which it is signed, or a notary certified copy of such power or authority must be delivered to the office of Standard Registrars Limited, the Company's Hong Kong branch share registrar and transfer office in Hong Kong at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong or by way of notice to or in any document accompanying the notice convening the meeting not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposed to vote and in default the instrument of proxy shall not be treated as valid.
5. Delivery of an instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. In the case of joint holders of any share, if more than one of such joint holders be present at any meeting, the vote of the senior who tenders a vote, whether in person, or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.