
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 stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Global Digital Creations Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for 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 SUBSCRIPTION OF NEW SHARES BY CONNECTED PERSONS

**Independent financial adviser to
the Independent Board Committee and the Independent Shareholders
OSK Capital Hong Kong Limited**

A letter from the Board is set out on pages 4 to 11 of this Circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on page 12 of this Circular. A letter from OSK, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 13 to 28 of this Circular.

A notice convening a special general meeting of the Company to be held at Oasis Room, 8/F., Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Friday, 2 September 2011 at 11:30 a.m. is set out on pages 34 to 35 of this Circular. A form of proxy for use at the SGM is enclosed. Whether or not you intend to attend and vote at the SGM or any adjourned meeting (as the case may be) in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Hong Kong branch share registrar and transfer office of the Company, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as practicable, but in any event not later than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of a form of proxy will not preclude a member from attending and voting in person at the above meeting or any adjourned meeting (as the case may be) should you so wish.

This Circular will remain on the GEM website at <http://www.hkgem.com> on the "Latest Company Announcements" page for at least 7 days from the date of posting and the website of the Company at www.gdc-world.com.

2 August 2011

* For identification purposes only

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

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DEFINITIONS

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

“associate(s)”	has the meanings ascribed to it under the GEM Listing Rules
“Board”	the board of Directors of the Company
“Company”	Global Digital Creations Holdings Limited, an exempted company incorporated in Bermuda with limited liability, Shares of which are listed on GEM
“connected person”	has the meanings ascribed to it under the GEM Listing Rules
“Director(s)”	director(s) 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
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising Mr. Hui Hung, Stephen, an Independent non-executive Director, established to advise the Independent Shareholders in respect of the terms on the Subscription Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than the Subscribers and their associates who have material interests in the Subscription Agreement and the transactions contemplated therein
“Last Trading Date”	12 July 2011, the date of the Subscription Agreement
“Latest Practicable Date”	28 July 2011, being the latest practicable date prior to the printing of this Circular for ascertaining certain information for inclusion in this Circular

DEFINITIONS

“OSK”	OSK Capital Hong Kong Limited, a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities for the purpose of the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder
“Placing”	the placing of the Placing Shares pursuant to the Placing Agreement
“Placing Agent”	Daily Growth Securities Limited, a corporation licensed to carry on Type 1 of the regulated activities under the SFO
“Placing Agreement”	the agreement dated 12 July 2011 and the supplemental agreement dated 13 July 2011 between the Company and the Placing Agent
“Placing Price”	HK\$0.35 per Placing Share
“Placing Shares”	220,000,000 new Shares
“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, supplemented or otherwise modified from time to time
“SGM”	the special general meeting of the Company to be held at Oasis Room, 8/F., Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Friday, 2 September 2011 at 11:30 a.m. to consider and, if thought fit, approve, among other things, the Subscription Agreement and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholders”	holders of Share(s)

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	Mr. Chen Zheng, Mr. Leung Shun Sang, Tony, Mr. Kwong Che Keung, Gordon and Professor Japhet Sebastian Law
“Subscription”	the subscription by the Subscribers of the Subscription Shares
“Subscription Agreement”	the agreement dated 12 July 2011 between the Company and the Subscribers in relation to the Subscription
“Subscription Price”	HK\$0.35 per Subscription Share
“Subscription Shares”	223,000,000 new Shares
“substantial shareholder”	has the meanings ascribed to it under the GEM Listing Rules
“%” or “per cent.”	percentage or 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. Li Shaofeng (*Chairman*)
Mr. Chen Zheng (*Managing Director*)
Mr. Jin Guo Ping (*Deputy Managing Director*)

Non-executive Director:

Mr. Leung Shun Sang, Tony

Independent non-executive Directors:

Mr. Kwong Che Keung, Gordon
Mr. Hui Hung, Stephen
Prof. Japhet Sebastian Law

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head Office and Principal Place of
Business in Hong Kong:*

Unit 1-7, 20/F., Kodak House II
39 Healthy Street East
North Point
Hong Kong

2 August 2011

To the Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION
SUBSCRIPTION OF NEW SHARES BY CONNECTED PERSONS**

INTRODUCTION

Reference are made to the announcements of the Company dated 12 July 2011 and 13 July 2011 in relation to the Subscription and the Placing. The purpose of this Circular is to provide you with: (i) further information on the Subscription; (ii) the recommendation from the Independent Board Committee in relation to the Subscription Agreement and the transactions contemplated thereunder; (iii) the recommendation from OSK to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder; and (iv) a notice convening the SGM.

* *For identification purposes only*

LETTER FROM THE BOARD

THE SUBSCRIPTION AGREEMENT

Date: 12 July 2011 (after trading hours)

Parties

- (a) the Company; and
- (b) the Subscribers.

Among the Subscribers, Mr. Chen Zheng is an Executive Director, Mr. Leung Shun Sang, Tony is a Non-executive Director and Mr. Kwong Che Keung, Gordon and Professor Japhet Sebastian Law are Independent non-executive Directors and are connected persons of the Company. As such, the entering into of the Subscription Agreement by the Company constitutes a connected transaction for the Company.

Subscription Shares

Pursuant to the terms of the Subscription Agreement, the Subscribers agreed to subscribe for an aggregate of 223,000,000 new Shares, representing (i) approximately 17.22% of the existing issued share capital of the Company; (ii) approximately 14.69% of the issued share capital of the Company as enlarged by the Subscription; and (iii) approximately 12.83% of the issued share capital of the Company as enlarged by the Subscription and the Placing. Details of the Subscription are as follows:

Name of Subscriber	Position	No. of Subscription Shares subscribed
Mr. Chen Zheng	Executive Director	200,000,000
Mr. Leung Shun Sang, Tony	Non-executive Director	10,000,000
Mr. Kwong Che Keung, Gordon	Independent non-executive Director	10,000,000
Prof. Japhet Sebastian Law	Independent non-executive Director	<u>3,000,000</u>
		<u><u>223,000,000</u></u>

Based on the closing price of HK\$0.405 per Share on the date of the Subscription Agreement, the Subscription Shares have a market value of approximately HK\$90.3 million. The Subscription Shares have an aggregate nominal value of HK\$2.23 million. After deducting expenses to the Subscription, the net price per Subscription Share is approximately HK\$0.348.

LETTER FROM THE BOARD

Subscription Price

The Subscription Price represents:

- (i) a discount of approximately 13.6% to the closing price of HK\$0.405 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (ii) a discount of approximately 9.8% to the average closing price of HK\$0.388 per Share as quoted on the Stock Exchange for the last five trading days immediately prior to the date of the Subscription Agreement;
- (iii) a discount of approximately 20.5% to the audited consolidated net asset value per Share of approximately HK\$0.44 as at 31 December 2010; and
- (iv) a discount of approximately 4.1% to the closing price of HK\$0.365 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price of HK\$0.35 per Share was arrived at after arm's length negotiation between the Subscribers and the Company and matches the Placing Price of HK\$0.35 per Share which the Placing Agent, an independent third party, is willing to place the Shares. The Directors thus consider that the Subscription Price is fair and reasonable under the current market conditions, and the Subscription is in the interest of the Company and the Shareholders as a whole.

Conditions of the Subscription Agreement

Completion of the Subscription Agreement is conditional upon:

- (a) the Independent Shareholders having approved the transactions contemplated under the Subscription Agreement at the special general meeting to be convened in accordance with the requirements of the GEM Listing Rules; and
- (b) the listing of and permission to deal in the Subscription Shares being granted by the GEM Listing Committee of the Stock Exchange.

In the event that the conditions to the Subscription are not fulfilled on or before 30 September 2011 (or such later date as may be agreed between the parties), the Subscription Agreement and all rights and obligations thereunder will cease and terminate.

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

LETTER FROM THE BOARD

Ranking of the Subscription Shares

The Subscription Shares, when fully paid, will rank pari passu in all respects with the Shares in issue on the completion date of the Subscription. There is no restriction on the transfer of the Subscription Shares and the Company is not restricted from further allotment and issue of securities under the Subscription Agreement.

Completion of the Subscription

Subject to fulfillment of the conditions of the Subscription Agreement, completion of the Subscription will take place within four Business Days (or such later date as the parties may agree in writing) after the date when the conditions set out above are satisfied.

THE PLACING

On 12 July 2011 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent pursuant to which the Placing Agent has conditionally agreed to place, on a best effort basis, to no fewer than six independent individuals, corporate and/or institutional places a total of 220,000,000 new Shares at the Placing Price of HK\$0.35 per Share. The Placing Price is the same as the Subscription Price.

The Placing Shares represent (i) approximately 16.99% of the existing issued share capital of the Company; (ii) approximately 14.52% of the issued share capital of the Company as enlarged by the Placing; and (iii) approximately 12.66% of the issued share capital of the Company as enlarged by the Subscription and the Placing.

On 13 July 2011, the Company and the Placing Agent entered into a supplemental agreement to amend certain terms of the Placing Agreement. After such amendments, completion of the Placing Agreement will be conditional upon:

- (a) the listing of and permission to deal in the Placing Shares being granted by the GEM Listing Committee of the Stock Exchange; and
- (b) the earlier of the completion of the Subscription Agreement, or the Subscription Agreement has been terminated in accordance with its terms.

In the event that the conditions to the Placing are not fulfilled on or before 30 September 2011 (or such later date as may be agreed between the parties), the Placing Agreement and all rights and obligations thereunder will cease and terminate.

The Placing Shares will be issued under the general mandate to allot, issue and deal with Shares granted to the Directors by the resolution of the Shareholders passed at the annual general meeting of the Company held on 19 May 2011. On the date of the annual general meeting, the Company had 1,295,255,540 Shares in issue, and the general mandate granted to the Directors was to issue up to 259,051,108 Shares, representing 20% of the number of Shares in issue as at the date of the passing of the resolution. As at the Latest Practicable Date, no Shares have been issued pursuant to such general mandate.

LETTER FROM THE BOARD

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY FOLLOWING COMPLETION OF THE SUBSCRIPTION AND THE PLACING

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

Shareholder	As at the Latest Practicable Date		Immediately after completion of the Subscription		Immediately after completion of the Subscription and the Placing	
	<i>Number of</i>		<i>Number of</i>		<i>Number of</i>	
	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>
Upper Nice Assets Ltd.	621,168,023	47.96	621,168,023	40.91	621,168,023	35.74
Mr. Chen Zhen	8,728,200	0.67	208,728,200	13.75	208,728,200	12.01
Mr. Leung Shun Sang, Tony	20,008,200	1.54	30,008,200	1.98	30,008,200	1.73
Subtotal	649,904,423	50.18	859,904,423	56.64	859,904,423	49.47
Mr. Kwong Che Keung, Gordon	800,820	0.06	10,800,820	0.71	10,800,820	0.62
Prof. Japhet Sebastian Law	-	-	3,000,000	0.20	3,000,000	0.17
Placees	-	-	-	-	220,000,000	12.66
Others	644,550,297	49.76	644,550,297	42.45	644,550,297	37.08
Total	<u>1,295,255,540</u>	<u>100</u>	<u>1,518,255,540</u>	<u>100</u>	<u>1,738,255,540</u>	<u>100</u>

Completion of the Subscription and the Placing are not inter-conditional and the Placing will proceed to completion after the earlier of the completion of the Subscription or the Subscription is terminated according to its terms.

CAPITAL-RAISING ACTIVITIES IN THE PAST 12 MONTHS

The Company has not conducted any fund raising exercise in the 12 months immediately preceding the date of the Subscription Agreement.

REASON FOR THE SUBSCRIPTION AND THE PLACING

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

LETTER FROM THE BOARD

The Directors consider that the Subscription would provide the Subscribers with an opportunity to have a personal stake in the Company and is an incentive to retain or otherwise maintain on-going relationships with the Subscribers whose contributions are or will be beneficial to the long-term growth of the Group. The Subscription will also serve to raise fund for the Company to finance 珠影文化產業園 (Pearl River Film Cultural Park) redevelopment project. The Subscription has been offered to all the Directors and only the Subscribers have decided to participate in the Subscription.

Mr. Chen Zheng is the Managing Director of the Company and the Chairman of 廣東時尚置業有限公司 (Guangdong Shishang Zhiye Investment Co., Ltd.*, “Guangdong Shishang”). As the Managing Director of the Company, Mr. Chen has overall chief executive responsibility for the Group’s business development and day-to-day management generally, and is instrumental to the development of the Group. As the Chairman of Guangdong Shishang, Mr. Chen provides leadership for the board of directors of Guangdong Shishang and is responsible for the overall strategy formulation of Guangdong Shishang and the entire redevelopment of the Pearl River Film Cultural Park project. Mr. Leung Shun Sang, Tony is a Non-executive Director and Mr. Kwong Che Keung, Gordon and Professor Japhet Sebastian Law are Independent non-executive Directors. Each of Mr. Leung Shun Sang, Tony, Mr. Kwong Che Keung, Gordon and Professor Japhet Sebastian Law is experienced in providing non-executive and independent perspective to the Board. Given that the shareholding of each of Mr. Kwong Che Keung, Gordon and Professor Japhet Sebastian Law after completion of the Subscription will be below 1% and that their interests were not obtained through gift or financial assistance of any party and save for their interests in such Shares, they do not have any material interest in any business activity of or is involved in any material business dealings with the Group, the Company considers that their participation in the Subscription would not affect their independence and their continued participation in the Board would ensure that there is a strong independent presence on the Board. The total number of Shares under the Subscription was determined by reference to the size of the Placing, as the Company considers that the two transactions should be structured under similar terms to minimize their impact on the market, as both the Subscription Agreement and the Placing Agreement were entered into on the same date. The number of Shares to be subscribed by the Subscribers was determined by the number of Shares that they are prepared to subscribe. Mr. Chen has subscribed for 200,000,000 Shares in the Subscription to demonstrate his commitment and confidence in the Company. Mr. Chen will become a substantial shareholder of the Company after completion of the Subscription.

The Placing is being carried out to raise funds for the Group and the Directors consider that the Placing is an appropriate mean for the Group to raise funds without incurring interest costs whilst broadening the capital and shareholders’ base of the Company.

USE OF PROCEEDS

The net proceeds from the Subscription is approximately HK\$77.6 million, and the net proceeds from the Placing is approximately HK\$75.4 million. The aggregate net proceeds from the Subscription and the Placing in the sum of approximately HK\$153.0 million will be used by the Group entirely to finance the construction works of the redevelopment of the different phases of the Pearl River Film Cultural Park, once the detailed construction plan and budget are approved.

LETTER FROM THE BOARD

PEARL RIVER FILM CULTURAL PARK

As announced by the Company in its announcement dated 30 March 2010, the Group acquired 68% of the registered capital of Guangdong Shishang for a consideration of RMB56,060,000 (equivalent to approximately HK\$63,705,000). The acquisition was completed on 20 April 2010.

Guangdong Shishang entered into a framework agreement (the “Framework Agreement”) on 28 March 2007 (as supplemented on 3 April 2008) with 珠江電影製片有限公司 (Pearl River Film Production Company Limited*, “Pearl River Film Production”) to redevelop the Pearl River Film Cultural Park, which is located at No. 352 and 354, Xin Gang Zhong Road, Guangzhou. Pursuant to the arrangement, Guangdong Shishang and Pearl River Film Production have agreed to jointly redevelop the old studios of Pearl River Film Production into the Pearl River Film Cultural Park, and Guangdong Shishang has obtained the leasing right of the Pearl River Film Cultural Park for a term up to 31 December 2045. Guangdong Shishang is responsible for the design, financing, construction and operation of the Pearl River Film Cultural Park and the funding of the entire construction project. Upon the expiration of the term of the arrangement, Guangdong Shishang has to return all the properties at the Pearl River Film Cultural Park to Pearl River Film Production.

The Pearl River Film Cultural Park comprises the first phase of redeveloping 7 existing low rise buildings into an area for catering and recreational uses, and subject to finalisation, further phases of redeveloping the studios and the administration buildings of Pearl River Film Production into a commercial complex comprising cinema, shops and restaurants, and a new multi-stories office tower.

As announced by the Company in its announcement dated 11 January 2011, the construction work for the redevelopment of Phase I of the Pearl River Film Cultural Park with an aggregate cost of approximately HK\$92.0 million has commenced. Such construction work is expected to be completed by the end of 2011. The detailed construction plan for the different phases of the redevelopment of the Pearl River Film Cultural Park has been prepared and submitted to the relevant PRC authorities for approval. The entire construction for the redevelopment is expected to be completed in the next 3 to 5 years and the redeveloped Pearl River Film Cultural Park will, subject to final approval by the relevant PRC authorities, have a planned total floor area exceeding 200,000 square metres. Since the planned total floor area of the project is still subject to approval by the relevant PRC authorities, the Company cannot determine the total construction cost for the project as at the Latest Practicable Date. Based on the total floor area of 200,000 square meters, it is estimated that the construction cost of the Pearl River Film Cultural Park will be more than HK\$1,300 million. The Company will make further announcement once the final redevelopment plan of the Pearl River Film Cultural Park and the final projected construction cost of the project have been determined.

LETTER FROM THE BOARD

SGM

The notice of SGM and the form of proxy are enclosed in this Circular. You are requested to complete the form of proxy and return it to the Hong Kong branch share registrar and transfer office of the Company, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, in accordance with the instructions printed thereon not less than 48 hours before the time appointed for holding the SGM, whether or not you intend to be present at the SGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

Pursuant to the requirements of the GEM Listing Rules, all votes to be taken at the SGM will be by poll. As the Subscribers are interested in the transactions contemplated under the Subscription Agreement, each of the Subscribers and their respective associates will abstain from voting for the resolution proposed at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder.

GENERAL

Among the Subscribers, Mr. Chen Zheng is an Executive Director, Mr. Leung Shun Sang, Tony is a Non-executive Director and Mr. Kwong Che Keung, Gordon and Professor Japhet Sebastian Law are Independent non-executive Directors and are connected persons of the Company. The entering into of the Subscription Agreement by the Company constitutes a connected transaction for the Company which is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The Independent Board Committee has been established to consider and, if appropriate, make recommendations to the Independent Shareholders: (i) as to whether the terms of the Subscription Agreement and the transactions contemplated thereunder, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and (ii) to advise the Independent Shareholders on how to vote, taking into account the recommendations from OSK.

The Company has appointed OSK as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the Subscription Agreement and the transactions contemplated thereunder.

The Directors (excluding the Subscribers who are interested in the Subscription and will not provide their views) are of the view that the Subscription is in the interest of the Company and the shareholders as a whole and recommend that the Shareholders to vote in favour of the resolution proposed at the SGM to approve the Subscription.

Your attention is also drawn to the general information set out in the appendix to this Circular and the letter of advice from the Independent Board Committee and the letter of advice from OSK.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

2 August 2011

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION
SUBSCRIPTION OF NEW SHARES BY CONNECTED PERSONS**

I refer to the circular dated 2 August 2011 issued by the Company (the “**Circular**”) to its Shareholders, of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

I have been appointed as the member of the Independent Board Committee to consider the terms of the Subscription Agreement and the transactions contemplated thereunder, and to advise the Independent Shareholders as to the fairness and reasonableness of the same and to recommend how the Independent Shareholders should vote at the SGM. I do not have any direct or indirect interest in the Subscription Agreement and the transactions contemplated thereunder. In addition, OSK has been appointed the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder.

I wish to draw your attention to the letter from the Board, as set out on pages 4 to 11 of the Circular, and the letter from OSK, the independent financial adviser, to the Independent Board Committee and the Independent Shareholders containing its advice in respect of the Subscription Agreement and the transactions contemplated thereunder, as set out on pages 13 to 28 of this Circular.

Having taken into account of the principal factors and reasons considered by OSK and its conclusion and advice, I concur with the views of OSK and consider that the terms of the Subscription Agreement and the transactions contemplated thereunder, are (i) fair and reasonable and on normal commercial terms; (ii) in the ordinary and usual course of business of the Group; and (iii) in the interests of the Company and the Shareholders as a whole. Accordingly, I recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of the Independent Board Committee of
Global Digital Creations Holdings Limited

Hui Hung, Stephen

Independent non-executive Director

* *For identification purposes only*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice from OSK Capital Hong Kong Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders for the purpose of incorporation into the circular.

OSK Capital Hong Kong Limited

僑豐融資有限公司

Subsidiary of OSK Investment Bank Berhad, Malaysia

12/F, World-Wide House
19 Des Voeux Road Central
Hong Kong

2 August 2011

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

Dear Sirs,

CONNECTED TRANSACTION SUBSCRIPTION OF NEW SHARES BY CONNECTED PERSONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the Subscription, details of which are set out in the circular of the Company dated 2 August 2011 (the “Circular”) of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined in the Circular, unless the context requires otherwise.

On 12 July 2011, the Company entered into the Subscription Agreement with the Subscribers, whereby the Subscribers agreed to subscribe for an aggregate of 223,000,000 new Shares. The Subscribers, when the Subscription Agreement was entered into, were the directors of the Company and thus connected persons of the Company under the GEM Listing Rules. The Subscription constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules and is subject to the reporting, announcement and independent shareholders’ approval requirements.

The Subscription is subject to the Independent Shareholders’ approval at general meeting by way of poll. Mr. Kwong Che Keung, Gordon and Prof. Japhet Sebastian Law who are independent non-executive Directors, are subscribers under the Subscription Agreement. The Independent Board Committee comprising the remaining independent non-executive Director, Mr. Hui Hung, Stephen, has been established to give advice and recommendation to the Independent Shareholders in relation to the Subscription. The Subscribers are materially interested in the transactions contemplated under the Subscription Agreement. According to the GEM Listing Rules, the Subscribers and their respective associates and any Shareholders who are involved in, or interested in the Subscription will abstain from voting in respect of the ordinary resolution relating to the Subscription.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OSK Capital Hong Kong Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Subscription and the Subscription Agreement are fair and reasonable and whether the Subscription is on normal commercial terms, in the ordinary and usual course of business and in the interests of the Company and the Shareholders as a whole.

In formulating our opinion, we have relied upon the information, facts and representations contained in the announcement of the Company dated 12 July 2011, the Circular and those supplied or made available by the management of the Company to us. We have assumed that all such information, facts and representations were true and accurate in all respects at the time they were supplied or made and continue to be true and accurate at the date of the Circular and can be relied upon. We have no reason to doubt the truth, accuracy and completeness of such information and representations and have confirmed with the management of the Company that no material facts have been withheld or omitted from such information and representations.

We have taken all reasonable and necessary steps to comply with the requirements set out in Rule 17.92 of the GEM Listing Rules. We consider that we have been provided with sufficient information to enable us to reach an informed view. We have not, however, conducted any independent verification of such information or any independent in-depth investigation into the business, affairs, financial position or prospects of the Group nor have we carried out any in-depth research on the Group, the Subscribers and their respective associates.

PRINCIPAL FACTORS CONSIDERED

In formulating our opinion on the Subscription, we have taken into consideration the following principal factors:

Information on the Group

Business of the Group

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

As set out in the annual report of the Company for the year ended 31 December 2010 (the “2010 Annual Report”), the Group is organised into the following five operating divisions:

- CG creation and production – CG production and exhibition of motion pictures and production of television series and movies
- Digital content distribution and exhibitions – (i) sales of digital cinema equipment; (ii) provision of technical service; (iii) leasing of digital cinema equipment; and (iv) holding of contractual rights to share box office receipts, under GDC Technology Limited and its subsidiaries. GDC Technology Limited is one of the Group’s subsidiaries

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- Deployment of digital cinema network – provision of assembly and integration services, under GDC Digital Cinema Network Limited and its subsidiaries. GDC Digital Cinema Network Limited is one of the Group’s subsidiaries
- CG training courses – provision of CG and animation training
- Cultural park – media entertainment and related commercial property development, i.e. the Pearl River Film Cultural Park

The Group’s revenue and results by business segments for the years ended 31 December 2008, 2009 and 2010 are summarised below, which are extracted from the respective annual reports.

	For the year ended 31 December					
	2010		2009		2008	
	<i>HK\$'000</i>		<i>HK\$'000</i>		<i>HK\$'000</i>	
Revenue						
CG creation and production	12,997	2.2%	57,012	14.9%	45,566	37.9%
Digital content distribution and exhibitions	539,971	92.5%	302,371	78.9%	60,194	50.1%
Deployment of digital cinema network	8,128	1.4%	4,703	1.2%	–	–
CG training courses	22,135	3.8%	19,031	5.0%	14,420	12.0%
Cultural park	788	0.1%	–	–	–	–
	<u>584,019</u>	<u>100.0%</u>	<u>383,117</u>	<u>100.0%</u>	<u>120,180</u>	<u>100.0%</u>
Segment profit/(loss)						
CG creation and production	(21,193)		209		5,121	
Digital content distribution and exhibitions	164,463		46,060		(66,711)	
Deployment of digital cinema network	1,240		845		–	
CG training courses	4,915		5,117		2,510	
Cultural park	(5,302)		–		–	
	<u>144,123</u>		<u>52,231</u>		<u>(59,080)</u>	

For the years ended 31 December 2008, 2009 and 2010, the Group recorded revenue of HK\$120.2 million, HK\$383.1 million and HK\$584.0 million respectively, representing an increase of 219% and 52% for the years ended 31 December 2009 and 2010 respectively. The increase in the revenue for the years ended 31 December 2009 and 2010 was mainly due to an increase in the revenue from the digital content distribution and exhibitions segment. As set out in the 2010 Annual Report, the significant growths were due to the success of 3D feature films and the availability of funding for digital cinema development, driving brisk demands for installation of digital equipment in cinemas for digital contents.

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Cultural park – Pearl River Film Cultural Park

On 30 March 2010, the Group acquired 68% of the registered capital of 廣東時尚置業有限公司 (Guangdong Shishang Zhiye Investment Co., Ltd., “Guangdong Shishang”) for a consideration of RMB56,060,000 (equivalent to approximately HK\$63,705,000). The acquisition was completed on 20 April 2010.

Guangdong Shishang entered into a framework agreement (the “Framework Agreement”) on 28 March 2007 (as supplemented on 3 April 2008) with 珠江電影製片有限公司 (Pearl River Film Production Company Limited, “Pearl River Film Production”) to jointly redevelop 珠影文化產業園 (Pearl River Film Cultural Park). The Pearl River Film Cultural Park is located at Nos. 352 and 354, Xin Gang Zhong Road, Guangzhou, the PRC and the land use right is owned by Pearl River Film Production. Under the Framework Agreement, Guangdong Shishang is responsible for the design, financing, construction and operation of the Pearl River Film Cultural Park and the funding of the entire construction project.

The Pearl River Film Cultural Park comprises the first phase of redeveloping seven existing low rise buildings into an area for catering and recreational uses, and subject to finalisation, further phases of redeveloping the studios and the administration buildings of Pearl River Film Production into a commercial complex comprising cinema, shops and restaurants, and a of new multi-stories office tower.

As announced by the Company on 11 January 2011, the construction work for the redevelopment of Phase I of the Pearl River Film Cultural Park with an aggregate cost of approximately HK\$92.0 million has commenced. Such construction work was expected to be completed by the end of 2011. After the entire redevelopment project, which is expected to be completed in the next 3 to 5 years, the Pearl River Film Cultural Park will have a commercial area, a cultural entertainment area and a film production and development area with a planned total floor area exceeding 200,000 sq. metres (which is subject to the final approval of the PRC relevant authorities). Because the planned total floor area of the project is still subject to approval by the relevant PRC authorities, the Company cannot determine the total construction cost for the project as at the Latest Practicable Date. Based on the exact total floor area of 200,000 sq. metres, the Company estimated that the construction cost of the Pearl River Film Cultural Park will be more than HK\$1.3 billion. Guangdong Shishang will have the leasing rights on the properties at the Pearl River Film Cultural Park for a term up to 31 December 2045. In return, Guangdong Shishang will need to pay Pearl River Film Production a predetermined monthly payment.

The redevelopment of the Pearl River Film Cultural Park will include the building of a cinema, shopping mall, office units, and film and machine production studios with a strong theme of culture, film and media entertainment. The Group’s investment in Guangdong Shishang provides an opportunity for the Group to participate in the entertainment and commercial property business in the PRC. Given the economic growth and development of the retail and recreation market in the PRC, despite the current government actions to suppress the residential property market, the redevelopment of the Pearl River Film Cultural Park will allow the Group to enjoy the growing prosperity of the retail, entertainment, as well as the commercial property sectors in the PRC.

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Financial position of the Group

Set out below is a summary of the consolidated balance sheet of the Group as at 31 December 2008, 2009 and 2010 as extracted from the respective annual reports.

	As at 31 December		
	2010	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	312,578	115,389	28,265
Investment properties	95,395	–	–
Intangible asset	–	–	244,111
Pre-paid lease payments	5,875	5,799	5,924
Available-for-sale investment	588	568	–
Interest in an associate	22,196	21,569	21,856
Other receivables	42,024	20,657	–
Pledged bank deposit	–	1,956	665
Advance	–	–	68,182
	<hr/>	<hr/>	<hr/>
	478,656	165,938	369,003
Current assets			
Inventories	58,870	34,947	15,682
Productions work in progress	13,241	–	–
Amounts due from customers			
for contract work	–	5,795	16,935
Trade receivables	101,490	41,338	7,375
Other receivables,			
prepayments and deposits	54,828	27,070	13,436
Prepaid lease payments	129	125	125
Held-for-trading investments	2,566	2,398	1,539
Convertible loan receivable	–	119,255	–
Structured deposits	41,169	–	–
Pledged bank deposits	46,243	–	2,808
Bank balances and cash	235,653	166,604	72,155
	<hr/>	<hr/>	<hr/>
	554,189	397,532	130,055
Total assets	<u><u>1,032,845</u></u>	<u><u>563,470</u></u>	<u><u>499,058</u></u>

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	As at 31 December		
	2010	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Secured bank borrowing – due after one year	160,000	10,227	–
Current liabilities			
Advances from customers	49,042	35,748	26,792
Amounts due to customers for contract work	165	366	1,763
Trade payables	45,563	31,781	6,874
Other payables and accruals	122,775	47,160	26,622
Amounts due to fellow subsidiaries	–	1,194	13,315
Amount due to an associate	21,611	20,874	–
Tax liabilities	17,957	6,215	967
Loan from a fellow subsidiary – due within one year	–	–	30,000
Secured bank borrowing – due within one year	45,342	–	14,773
	302,455	143,338	121,106
Total liabilities	<u>462,455</u>	<u>153,565</u>	<u>121,106</u>
EQUITY			
Equity attributable to owners of the Company	393,778	329,473	305,031
Non-controlling interests	176,612	80,432	72,921
Total equity	<u>570,390</u>	<u>409,905</u>	<u>377,952</u>
Total equity and liabilities	<u>1,032,845</u>	<u>563,470</u>	<u>499,058</u>

The carrying amount of the investment properties as at 31 December 2010 represents the properties interest held under an operating lease on the redevelopment of the Pearl River Film Cultural Park.

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As at 31 December 2008, 2009 and 2010, the total interest-bearing bank and other borrowings of the Group amounted to HK\$44.8 million, HK\$10.2 million and HK\$205.3 million respectively, representing an increase of 358% from 31 December 2008 to 31 December 2010. The significant increase in borrowings is mainly due to new bank loans raised to finance the construction of the Group's headquarters building in Shenzhen and as general working capital for the Group.

As at 31 December 2010, the Group's gearing ratio (calculated on the basis of borrowings divided by equity attributable to owners of the Company) was 52% (2009: 3%). The significant increase in the gearing ratio is mainly attributable to the new bank loans raised as mentioned in the preceding paragraph.

The Subscription, as well as the Placing, will help improve the gearing position of the Group.

Cash flow position

Set out below is a summary of the condensed consolidated cash flow statement of the Group for the year ended 31 December 2008, 2009 and 2010 as extracted from the respective annual reports.

	For the year ended 31 December		
	2010	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash inflow/(outflow)			
from operating activities	68,547	1,896	(45,011)
Net cash inflow/(outflow)			
from investing activities	(199,654)	107,014	(101,164)
Net cash inflow/(outflow)			
from financing activities	<u>195,138</u>	<u>(14,416)</u>	<u>6,948</u>
Net increase/(decrease)			
in cash and cash equivalents	<u><u>64,031</u></u>	<u><u>94,494</u></u>	<u><u>(139,227)</u></u>

We understand from the Company that the net cash outflow from investing activities of HK\$199.7 million for the year ended 31 December 2010 was mainly due to the cash requirements to fund the acquisition of Guangdong Shishang and the construction of the Group's headquarters building in Shenzhen.

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Background of the Subscribers

The Subscribers are Mr. Chen Zheng, executive Director, Mr. Leung Shun Sang, Tony, non-executive Director, and Mr. Kwong Che Keung, Gordon and Prof. Japhet Sebastian Law, independent non-executive Directors.

Mr. Chen Zheng has been an executive Director since February 2005 and is currently the managing director of the Company. Mr. Chen has also been an executive director of Shougang Concord Grand (Group) Limited (“Shougang Grand”), a company listed on the Main Board of the Stock Exchange since January 2004, and was designated as the managing director of operations of Shougang Grand in February 2006. Mr. Chen has extensive experience in investment business and corporate management. Mr. Leung Shun Sang, Tony has been a non-executive Director since December 2005. Mr. Kwong Che Keung, Gordon and Prof. Japhet Sebastian Law have been independent non-executive Directors since April 2003 and September 2008 respectively.

Reasons for and benefits of the Subscription

As set out in the letter from the Board in the Circular (the “Letter from the Board”), in addition to the Subscription, the Company entered into the Placing Agreement on 12 July 2011 (after trading hours) with the Placing Agent to place, on a best effort basis, a total of 220,000,000 new Shares. The Directors consider that (i) the Subscription and the Placing are appropriate means of raising capital for the Group without incurring interest costs; and (ii) whilst Mr. Kwong Che Keung, Gordon’s and Prof. Japhet Sebastian Law’s respective shareholding interests in the Company will remain less than 1% as required under the GEM Listing Rules applicable to independent non-executive directors, the Subscription would provide the Subscribers with an opportunity to have a larger personal stake in the Company and thus provides an incentive to retain or otherwise maintain on-going relationships with the Subscribers whose contributions are or will be beneficial to the long-term growth of the Group. We understand from the Company that the number of new Shares to be subscribed by each Subscriber is determined based on arm’s length negotiation between the Company and each of the Subscribers with reference to their roles and responsibilities and regulatory requirements.

The Company intends to apply the aggregate net proceeds of HK\$153 million (HK\$77.6 million and HK\$75.4 million from the Subscription and the Placing respectively) to finance the construction works of the redevelopment of the Pearl River Film Cultural Park.

The Company announced on 11 July 2011 that it entered into an agreement on 8 July 2011 to dispose of its digital content distribution and exhibitions business and deployment of digital cinema network business (the “Disposal”). The net proceeds ranging from approximately HK\$277.6 million to HK\$419 million from the Disposal will also be used to finance, among others, the construction works of the redevelopment of the Pearl River Film Cultural Park.

The redevelopment of the Pearl River Film Cultural Park is part of the Group’s principal activities in relation to media entertainment and related commercial property development. The Group has informed us that, without any external financing, its existing operations, after the Disposal, may not be able to generate sufficient funds to finance various phases of the redevelopment of the Pearl

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River Film Cultural Park as planned. We have reviewed and discussed with the Company the cash flow requirements and projections of the Group's redevelopment of the Pearl River Film Cultural Park and the expected costs of redevelopment of the Pearl River Film Cultural Park. Based on the projections, we understand that, even with the Subscription, the Placing and the Disposal, it is necessary for the Group to raise additional debt financing for the later phases of the redevelopment project. We also understand from the Company that it would be difficult for the Group to obtain bank borrowings in the PRC for property development projects due to the recent tightening of credit policies in the PRC, such as increases in required bank reserve and in lending interest rates. Without the Subscription, the Group may have to raise further funding through debt financing at higher interest rates which would increase the Group's finance cost and might probably adversely affect the Group's financial position.

The Subscription has been offered to all the Directors. We understand from the Company that such arrangement is to provide an opportunity for the Directors to acquire equity interest in the Company and thus provide an incentive to retain or otherwise maintain on-going relationships with the Directors. Only the Subscribers have decided to participate in the Subscription.

The Subscribers have been directors of the Company for several years. One of the Subscribers, Mr. Chen Zheng, is the managing director and the chief executive officer of the Company as well as the chairman of Guangdong Shishang. As the managing director of the Company, Mr. Chen has the responsibility as the chief executive for the Group's business development and day-to-day management. Mr. Chen is also the chairman of Guangdong Shishang where he is responsible for the overall strategic development of Guangdong Shishang and the entire redevelopment of the Pearl River Film Cultural Park project. We understand from the Company that after the Disposal, in addition to the traditional CG content business, the Group's businesses will also focus on the property development of the cultural park. The Company is of the view that Mr. Chen is instrumental to the development of the Group. Upon completion of the Subscription, Mr. Chen will become a substantial shareholder of the Company. The Company is of the view that Mr. Chen becoming a substantial shareholder of the Company after completion of the Subscription has demonstrated his commitment to and confidence in the Company, and the redevelopment project of the Pearl River Film Cultural Park. Mr. Chen, the managing director and the chief executive officer of the Company, plays a significant role in leading and managing the Group. He at present holds less than 1% of the equity interest of the Company. After completion of the Subscription, he will become an owner holding more than 10% of the equity interest of the Company. We consider that his dual interests as a key management member and a substantial owner would further motivate him to devote himself to developing the Group and we agree with the Company's view that the Subscription can serve as an incentive to retain and maintain on-going relationships with Mr. Chen which will be beneficial to the long-term growth of the Group.

The other Subscribers include a non-executive Director and two independent non-executive Directors. Each of Mr. Leung Shun Sang, Tony, Mr. Kwong Che Keung, Gordon and Prof. Japhet Sebastian Law has been providing independent and impartial advice and perspective to the Board. The shareholding of each of Mr. Kwong Che Keung, Gordon and Prof. Japhet Sebastian Law after completion of the Subscription will be below 1% and their interests are not obtained through gift or financial assistance of any party. Save for their interests in such Shares, they do not have any material interest in any business activity of or is involved in any material business dealings with the Company. The Company considers that their participation in the Subscription would not affect their independence. After the Subscription, their interests in the Company should not be materially different

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from other minority shareholders of the Company. Having a minor shareholding in the Company would help encourage their continued participation in the Board. Given that upon completion of the Subscription and the Placing, Mr. Kwong Che Keung, Gordon and Prof. Japhet Sebastian Law will only hold approximately 0.62% and 0.17% of the equity interest of the Company respectively, we consider that their share of interests in the Company is small which should not bias their opinion in making decision for the best interest of the Company as a whole and we agree with the Company's view that the Subscription would not affect the independence of Mr. Kwong Che Keung, Gordon and Prof. Japhet Sebastian Law and would rather serve as an incentive to retain and maintain on-going relationships with the other Subscribers which will be beneficial to the long-term growth of the Group.

The Company informed us it is optimistic that the redevelopment project of the Pearl River Film Cultural Park will have a positive impact on the Group's business prospect.

Having considered the information from the Company and our review and analysis mentioned above, in particular, the reason for the Subscription to extend an opportunity to the Directors to acquire stake in the Company as an incentive to retain and maintain on-going relationships with the Directors, and the net proceeds from the Subscription to be used to fund the substantial cost involved in the Group's plan to redevelop the Pearl River Film Cultural Park, we agree with the Directors' view that the Subscription is in the ordinary and usual course of business of the Company and is in the interests of the Company and its Shareholders.

Principal terms of the Subscription

Under the Subscription Agreement, the Subscribers agreed to subscribe for 223,000,000 new Shares, representing (i) approximately 17.22% of the existing issued share capital of the Company; (ii) approximately 14.69% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares; and (iii) approximately 12.83% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares and the Placing Shares, as at the Latest Practicable Date, at HK\$0.35 per Subscription Share. Upon completion of the Subscription, taking into account their existing shareholding interests in the Company, the Subscribers will be interested in (i) approximately 16.64% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares; and (ii) approximately 14.53% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares and the Placing Shares.

The Subscription Shares, when issued and fully paid, will rank *pari passu* in all respects among themselves and with all the Shares in issue at the date of allotment and issue of the Subscription Shares, including the right to any dividends or distributions made or declared on or after the date of allotment and issue of the Subscription Shares.

Subscription Price

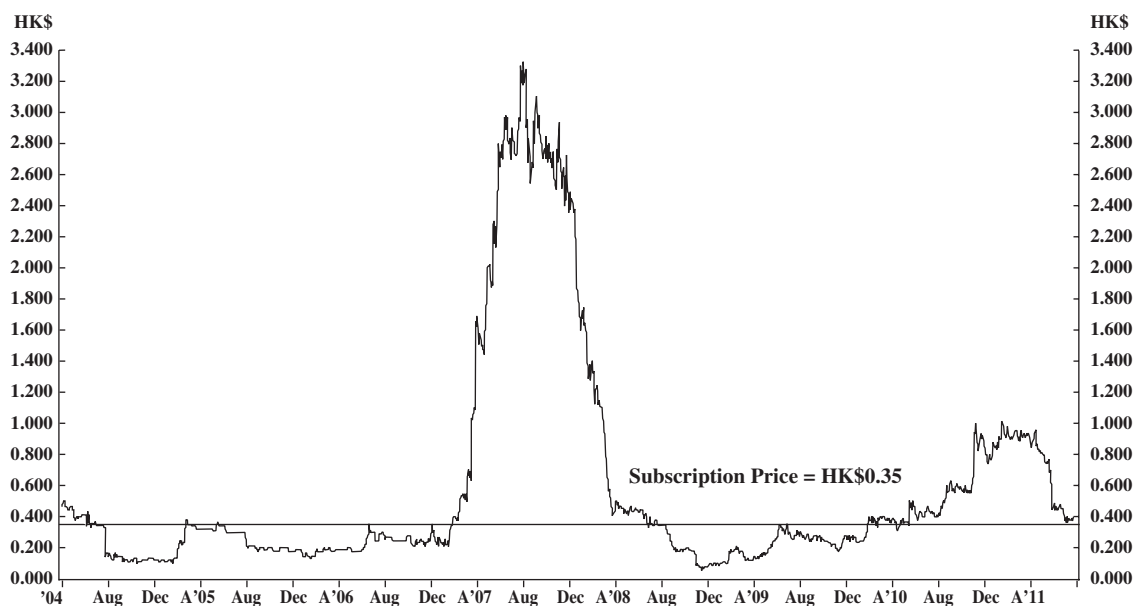
We note that the Subscription Price was arrived at after arm's length negotiation between the Company and the Subscribers and is also equal to the Placing Price as agreed between the Company and the Placing Agent where the Placing Agent is willing to place the Placing Shares. We understand from the Company that it determined the Placing Price based on arm's length negotiations with the Placing Agent by reference to, among others, the Group's financial position, the Group's prospect and the current market conditions.

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The Subscription Price of HK\$0.35 per Subscription Share represents:

- (i) a discount of approximately 13.6% to the closing price of HK\$0.405 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (ii) a discount of approximately 9.8% to the average closing price of approximately HK\$0.388 per Share as quoted on the Stock Exchange for the last five trading days immediately prior to the date of the Subscription Agreement; and
- (iii) a discount of approximately 4.1% to the closing price of HK\$0.365 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The chart below illustrates the daily closing prices of the Shares prior to the date of the Subscription Agreement:



Source: Infocast

In the past 12 months, the closing price of the Shares increased substantially to HK\$1.01 and HK\$1.02 per Share on 21 October 2010 and 30 December 2010 respectively. We note that the closing price of the Shares commenced to decrease gradually since the announcement of the final results for the year ended 31 December 2010 in late March 2011. The current share price has fallen close to the long term share price level.

The Company published its first quarterly results for the three months ended 31 March 2011 (the "2011 Q1 Results") on 6 May 2011. The Group's net profit for the three months ended 31 March 2011 of HK\$3.5 million decreased by approximately 86% from HK\$24.5 million for the same period last year. The decrease in the Group's net profit for the period is mainly due to increase in (i) distribution costs and selling expenses as a result of more exhibition, travelling and promotion costs to explore new markets, and marketing expenses relating to the Pearl River Film Cultural Park; and (ii) administrative expenses due to higher staff costs and office operating expenses. We note that the

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closing market prices of the Shares dropped significantly by approximately 23% from HK\$0.70 on 6 May 2011 to HK\$0.54 on 9 May 2011, being the next trading day following the publication of the 2011 Q1 Results.

In order to further assess the fairness and reasonableness of the Subscription Price, based on the information available from the Stock Exchange's website, we set out below information on the pricing of all the share placements for cash consideration as announced by companies listed on the Main Board or GEM of the Stock Exchange in the 2 months prior to the date of the Subscription Agreement (the "Comparable Transactions") as set out in the table below.

Announcement date	Stock code	Company	Issue price (HK\$)	Premium/ (discount) to closing price	Premium/ (discount) to 5 days average closing price	Commission
12-May-11	290	China Fortune Group Limited	0.33	(4.35%)	2.17%	1.00%
18-May-11	802	RCG Holdings Limited	1.45	1.40%	(14.00%)	3.00%
19-May-11	273	Willie International Holdings Limited	0.2	(10.71%)	(11.43%)	N/A
19-May-11	855	China Water Affairs Group Limited	3.4	17.65%	17.48%	N/A
20-May-11	868	Xinyi Glass Holdings Limited	8.35	(7.22%)	(8.04%)	N/A
20-May-11	8137	Honbridge Holdings Limited	3.15	(1.61%)	2.94%	N/A
20-May-11	721	China Financial International Investments Limited	0.5	(9.09%)	(8.42%)	N/A
22-May-11	848	Maoye International Holdings Limited	3.81	(4.88%)	(6.60%)	N/A
23-May-11	1062	New Capital International Investment Limited	0.4	(77.14%)	(75.93%)	N/A
24-May-11	8207	Credit China Holdings Limited	1.75	(7.89%)	1.04%	N/A
25-May-11	878	Soundwill Holdings Limited	12.2	(0.81%)	(2.27%)	N/A
26-May-11	3828	Ming Fai International Holdings	2.124	(8.45%)	(9.54%)	N/A
26-May-11	1998	Flyke International Holdings Limited	1.65	(2.94%)	(5.50%)	N/A
27-May-11	750	China Singyes Solar Technologies Holdings Limited	6.8	(5.56%)	(6.21%)	N/A
30-May-11	263	China Yunnan Tin Minerals Group Company Limited	0.062	(19.48%)	(14.84%)	1.00%
2-Jun-11	993	Simsen International Corporation Limited	0.2	(14.16%)	(12.28%)	N/A
2-Jun-11	8150	Seamless Green China (Holdings) Limited	1.45	(16.67%)	(15.99%)	2.50%
7-Jun-11	764	Eternity Investment Limited	0.135	(13.46%)	(19.55%)	1.00%
7-Jun-11	1049	Celestial Asia Securities	0.51	(7.30%)	(1.50%)	3.00%
8-Jun-11	8202	Inno-Tech Holdings Limited	0.031	(8.82%)	(17.55%)	3.00%
8-Jun-11	354	Chinasoft International Limited	1.86	(0.53%)	0.32%	N/A
9-Jun-11	1060	China Vision Media Group Limited	0.4	6.67%	4.99%	N/A
9-Jun-11	2324	Capital VC Limited	0.3	(14.29%)	(17.13%)	2.50%
9-Jun-11	145	The Hong Kong Building and Loan Agency Limited	0.16	(12.57%)	(15.79%)	3.00%
10-Jun-11	8100	M Dream Inworld Limited	0.065	(1.52%)	(17.72%)	2.50%
10-Jun-11	8292	HC International, Inc.	1.5	(6.25%)	(5.06%)	N/A
14-Jun-11	1063	Suncorp Technologies Limited	0.022	(18.52%)	(19.71%)	3.00%
15-Jun-11	988	Loudong General Nice Resources (China) Holdings Limited	1.04	(0.95%)	(0.58%)	0.50%

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Announcement date	Stock code	Company	Issue price (HK\$)	Premium/ (discount) to closing price	Premium/ (discount) to 5 days average closing price	Commission
17-Jun-11	827	Ko yo Ecological Agrotech (Group) Limited	0.174	4.20%	1.20%	N/A
20-Jun-11	943	eForce Holdings Limited	0.05	(15.25%)	(18.03%)	3.25%
21-Jun-11	8202	Inno-Tech Holdings Limited	0.022	(4.35%)	(17.91%)	3.00%
21-Jun-11	2626	Hunan Nonferrous Metals Corporation Limited	2.7295	2.23%	6.69%	N/A
28-Jun-11	329	Dragonite International Limited	0.1	(4.76%)	(8.26%)	2.00%
29-Jun-11	274	Global Green Tech Group Limited	0.1	15.00%	8.93% ^(Note 1)	1.50%
30-Jun-11	802	RCG Holdings Limited	1	(9.91%)	(12.28%)	3.00%
6-Jul-11	136	Mascotte Holdings Limited	0.4	(20.00%)	(18.70%)	N/A
8-Jul-11	8356	Tsun Yip Holdings Limited	0.173	(18.40%)	(19.23%)	2.50%
		Maximum		17.65%	17.48%	3.25%
		Minimum		(77.14%)	(75.93%)	0.50%
		Average		(8.04%)	(9.58%)	2.29%
		The Subscription		(13.60%)	(9.80%)	

Note:

- No such information was disclosed in the relevant announcements. We have calculated such information based on the historical share prices of the relevant companies.

Out of the 37 Comparable Transactions above, 31 of them were priced at a discount to the last closing price and/or the average closing price of the 5 last trading days. As shown in the above table, the issue price of the Comparable Transactions ranged from (i) a premium of 17.65% to a discount of 77.14% to the closing price immediately prior to the announcement, with an average of a discount of 8.04%; and (ii) a premium of 17.48% to a discount of 75.93% to the 5 days average closing price, with an average of a discount of 9.58%. We note that the discounts of the Subscription Price to the two benchmark prices are comparable to the average discount of the Comparable Transactions.

Taking into account that (i) the Subscription Price of HK\$0.35 falls around the long term share price level of the Company; (ii) the discounts of the Subscription Price to the two benchmark prices are comparable to the discount of the Comparable Transactions; and (iii) the aforesaid reasons for the Subscription, we consider that the Subscription, including the Subscription Price, is fair and reasonable.

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Financing alternatives

The Subscribers are all key officers of the Company. One of the reasons for the Subscription is to better tie the interests of those Directors with the long-term success of the Group. Other financing methods such as debts and rights issue will not provide the Subscribers with the chance to get a stronger bond to the ongoing development of the Group.

As set out in the paragraph headed “Reasons for and benefits of the Subscription” above, it would be difficult for the Group to obtain bank borrowings in the PRC for property development projects due to the various government policies in curbing monetary supply in the PRC. Even if the Group is able to obtain bank and other borrowings, the Group expects that it will likely have to pay high interests while the Subscription is interest-free. As at the Latest Practicable Date, one-year loan interest rate in the PRC is 6.56% per annum. As set out in the paragraph headed “Information on the Group” above, the Group’s gearing ratio has increased from 3% as at 31 December 2009 to 52% as at 31 December 2010. Ignoring the effect of the Disposal (which may or may not complete), further debt financing will cause the Group’s gearing and finance cost to further increase.

Based on the above, we consider that it is reasonable to expect that equity financing shall represent a more favourable source of financing as compared with debt financing.

The Subscription is considered appropriate as it is interest-free and does not add further burden on the Group’s gearing as compared to debt financing. Further debt financing will worsen the gearing and increase the interest cost of the Group.

Having considered the reasons for the Subscription, and the cost to the Group in respect of the debt financing alternatives, we concur with the Company’s view that the Subscription is a reasonable means to the Group to motivate and retain the Subscribers and to finance the redevelopment of the Pearl River Film Cultural Park.

Financial effects of the Subscription

Cash flow

According to the 2010 Annual Report, the Group had bank balances and cash, and net current assets of HK\$235.7 million and HK\$251.7 million respectively. Upon completion of the Subscription, the liquidity and cash position will be improved as the Subscription will raise net proceeds of HK\$77.6 million, without taking into account the possible implication of the Disposal. The Group’s bank balances and cash and net current assets would increase subject to all other things remaining unchanged. Accordingly, we are of the view that the Group’s cash position and net current assets are expected to be improved upon completion of the Subscription.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Earnings

Save for the expenses relating to the Subscription, we are of the view that the completion of the Subscription will not have any immediate material impact on the Group's earnings. However, as set out in the Letter from the Board, the net proceeds from the Subscription will be used to finance the redevelopment of the Pearl River Film Cultural Park. As set out in the paragraph headed "Reasons for and benefits of the Subscription" above, the Company is optimistic that this project will have a positive impact on the Group's business prospect.

Net asset value

According to the 2010 Annual Report, the net asset value as at 31 December 2010 was HK\$393.8 million. Upon completion of the Subscription, the net asset value will be improved as the Subscription would increase the total assets and share capital of the Company. Based on the estimated net proceeds of HK\$77.6 million, the net asset value would increase to HK\$471.4 million subject to all other things remaining unchanged without taking into account the possible effect of the Disposal.

Gearing

As mentioned in the section headed "Financial position of the Group" in this letter, the gearing ratio as at 31 December 2010 was 52%. Upon completion of the Subscription, the Group's equity attributable to owners of the Company would increase as a result of the Subscription whilst the borrowings would remain the same, resulting in a drop of the Group's gearing ratio to 44% subject to all other things remaining unchanged. Thus, we are of the view that the Group's gearing level will be improved upon completion of the Subscription.

Based on the above, the Subscription would have an overall positive effect on the Group's financial position upon completion of the Subscription. On such basis, we are of the view that the Subscription is in the interests of the Company and the Shareholders as a whole.

Effect on the shareholding structure of the Company

Reference is made to the shareholding structure of the Company as set out in the section headed "Effect of the shareholding structure of the Company following completion of the Subscription and the Placing" in the Letter from the Board. Upon completion of the Subscription, the shareholding of the existing public Shareholders will be diluted from approximately 49.76% to approximately 42.45%.

Having considered (i) the fairness and reasonableness of the Subscription Price of HK\$0.35 in the section headed "Principal terms of the Subscription" above; (ii) the issuance of the Subscription Shares will enhance the Group's net asset position; and (iii) the expected high interest and other costs in obtaining further bank and other borrowings to finance the redevelopment of the Pearl River Film Cultural Park, we consider that the dilution effects on shareholdings of the Company upon completion of the Subscription is acceptable, and fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the above principal factors and reasons, we consider that the terms of the Subscription Agreement and the Subscription are fair and reasonable and the Subscription is on normal commercial terms, in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend to the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Subscription.

Yours faithfully,
For and on behalf of
OSK Capital Hong Kong Limited
Allen Tze
Executive Director

1. RESPONSIBILITY STATEMENT

This Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

2. DISCLOSURE OF INTERESTS

(a) The Directors' or chief executives' interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of 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 which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

(1) Long positions in the shares and underlying shares of the Company

Name of Director	Capacity in which interests are held	Number of shares/underlying shares held in Company			Approximate percentage of issued share capital of the Company
		Interests in shares	Interests under equity derivatives*	Total interests	
Mr. Li Shaofeng	Beneficial owner	-	12,950,000	12,950,000	0.99%
Mr. Chen Zheng	Beneficial owner	8,728,200	11,360,000	20,088,200	1.55%
Mr. Jin Guo Ping	Beneficial owner	-	2,590,000	2,590,000	0.19%
Mr. Leung Shun Sang, Tony	Beneficial owner	20,008,200	11,370,000	31,378,200	2.42%
Mr. Kwong Che Keung, Gordon	Beneficial owner	800,820	1,780,000	2,580,820	0.19%
Mr. Hui Hung, Stephen	Beneficial owner	800,820	1,780,000	2,580,820	0.19%
Prof. Japhet Sebastian Law	Beneficial owner	-	1,290,000	1,290,000	0.09%

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

(2) *Long positions in the shares and underlying shares of GDC Technology Limited (“GDC Tech”), an associated corporation of the Company*

Name of Director	Capacity in which interests are held	Number of shares/ underlying shares held in GDC Tech	Approximate percentage of issued share capital of GDC Tech
Mr. Li Shaofeng	Beneficial owner	2,300,000	0.92%
Mr. Chen Zheng	Beneficial owner	11,883,334	4.76%
Mr. Jin Guo Png	Beneficial owner	400,000	0.16%
Mr. Leung Shun Sang, Tony	Beneficial owner	4,780,000	1.91%
Mr. Kwong Che Keung, Gordon	Beneficial owner	2,071,667	0.83%
Mr. Hui Hung, Stephen	Beneficial owner	365,000	0.14%
Prof. Japhet Sebastian	Beneficial owner	200,000	0.08%

(b) **Substantial Shareholders**

Save as disclosed below, as at the Latest Practicable Date, so far as is known to the Directors or chief executives of the Company, no person, other than a Director, or chief executive of the Company, had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO as having an interest in 5% or more of the issued share capital of the Company.

Long positions in the Shares

Name of shareholder	Capacity in which interests are held	Number of shares held in the Company	Approximate percentage of issued share capital of the Company
Shougang Holding (Hong Kong) Limited (“Shougang Holding”)	Interests of controlled corporations	621,168,023 (<i>Note</i>)	47.95%
Wheeling Holdings Limited (“Wheeling”)	Interests of controlled corporations	621,168,023 (<i>Note</i>)	47.95%
Shougang Concord Grand (Group) Limited (“Shougang Grand”)	Interests of controlled corporations	621,168,023 (<i>Note</i>)	47.95%
Upper Nice Assets Ltd. (“Upper Nice”)	Beneficial owner	621,168,023 (<i>Note</i>)	47.95%
Keywise Capital Management (HK) Limited	Investment manager	74,988,000	5.79%

Note: Upper Nice is an indirect wholly-owned subsidiary of Shougang Grand. Shougang Grand was held as to approximately 37.36% by Wheeling, a wholly-owned subsidiary of Shougang Holding. Accordingly, all these corporations are deemed to be interested in the shares capital of the Company which Upper Nice is interested under the SFO.

3. SERVICE CONTRACTS

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

4. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2010, being the date to which the latest published audited financial statements of the Group was made up.

5. CONSENT OF EXPERT

The following the qualification of the expert who has given opinions or advice which are contained in this Circular:

Name	Qualifications
OSK	a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities for the purpose of the SFO

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

As at the Latest Practicable Date, OSK does not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

6. LITIGATION

The Company received an original complaint in April 2010, a first amended complaint in July 2010 and a second amended complaint in March 2011 for damages and injunctive relief, and demand for jury trial (the “Proceeding”) filed with the District Court, Central District of California Western Division of the United States (the “Court”) by X6D Limited, X6D USA Inc. and XpanD, Inc. (collectively, the “X6D”) against, among others, the Company and its subsidiaries namely GDC Technology, GDC Technology China Limited, GDC Technology (USA), LLC and GDC Technology of America LLC (collectively, the “Defendants”) for copyright infringement, trademark and trade dress infringement, patent infringement, misappropriation of trade secrets and statutory unfair competition in relation to the 3D glasses sold by the Defendants. Sale of 3D glasses is not a core business of the Group.

The Group filed its answer and counterclaims in November 2010 and amended answer and counterclaims in January 2011 and April 2011 denying X6D’s allegations, asserting various affirmative defenses and asserting eight counterclaims against X6D generally that, among others, X6D does not own any valid intellectual property rights that cover the Defendants’ 3D glasses and X6D wrongfully and intentionally interfered with the Defendants’ prospective business relations with their potential customers. In January 2011 and May 2011, X6D filed its answers to the counterclaims denying the Defendants’ allegations and asserting various affirmative defenses.

A Joint Rule 26 Statement was submitted to the Court in January 2011 and the Court issued a scheduling order in February 2011 that the motion for summary judgment shall be filed by no later than 30 November 2011. From February 2011 onwards, the parties have served and exchanged a number of interrogatories, responses and supplemental responses as part of the ongoing discovery.

In May 2011, X6D filed with the United States Patent & Trademark Office re-issue requests for all three of its design patents. In its re-issue requests, X6D included 56 new drawings, and numerous additional prior art references. X6D also stated, repeatedly for each patent, that the patents were “inoperative or invalid” and have a “defective specification or drawings”. In June 2011, the Defendants filed a motion to stay the litigation on the ground that the patent claims were in flux due to the re-issue applications, and that the same facts applied to the validity of all of X6D’s intellectual property and trade secrets claims, and all claims involved common products. X6D filed its opposition to the motion in July 2011. The Court has not ruled on the motion up to the Latest Practicable Date.

No trial date has been set up to the Latest Practicable Date.

Save as disclosed above and so far as the Directors are aware, as at the Latest Practicable Date no member of the Group was engaged in litigation or arbitration of material importance and no litigation/arbitration or claim of material importance was pending or threatened against any member of the Group.

7. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

Save as disclosed in the letter from the Board, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which contract or arrangement is subsisting as at the date of this Circular and which is significant in relation to the business of the Group.

Save as disclosed in the letter from the Board, as at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

8. MISCELLANEOUS

In the event of inconsistency, the English texts of this Circular and the accompanying form of proxy shall prevail over their respective Chinese texts.

9. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong during normal business hours from the date of this Circular up to and including the date of the SGM and at the SGM:

- (a) the Subscription Agreement;
- (b) the letter of recommendation from the Independent Board Committee to the Independent Shareholders as set out in this Circular; and
- (c) the letter of advice from OSK as set out in this Circular.

NOTICE OF THE 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 the special general meeting of Global Digital Creations Holdings Limited (the “**Company**”) will be held at Oasis Room, 8/F., Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Friday, 2 September 2011 at 11:30 a.m. for the purpose of considering and, if thought fit, passing, with or without modification, the following resolution:

ORDINARY RESOLUTION

“THAT:

- (a) the subscription agreement dated 12 July 2011 entered into between the Company and Mr. Chen Zheng, Mr. Leung Shun Sang, Tony, Mr. Kwong Che Keung, Gordon and Professor Japhet Sebastian Law (the “**Subscribers**”) pursuant to which the Subscribers agreed to subscribe for an aggregate of 223,000,000 new shares of HK\$0.01 each in the share capital of the Company at the subscription price of HK\$0.35 per Share (the “**Subscription Agreement**”) (copy of which is tabled at the meeting and marked “A” and initialed by the chairman of the meeting for identification purposes) be and are hereby approved, confirmed and ratified; and
- (b) any one director of the Company be and is hereby authorised for and on behalf of the Company to execute all documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental, ancillary to or in connection with the matters contemplated in or relating to the Subscription Agreement and completion thereof as he/she may consider necessary, desirable or expedient.”

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

Hong Kong, 2 August 2011

* *For identification purposes only*

NOTICE OF THE SGM

Notes:

1. Any shareholder of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A shareholder who is the holder of two or more shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a shareholder of the Company.
2. A form of proxy for the meeting is enclosed. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority shall be deposited at the Hong Kong branch share registrar and transfer office of the Company, Tricor Standard 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 holding the meeting or any adjourned meeting at which the person named in the instrument proposes to vote.
3. The register of members of the Company will be closed from Thursday, 1 September 2011 to Friday, 2 September 2011, both days inclusive, during which period, no transfer of Shares will be registered. In order to qualify for attending the above mentioned meeting, all share certificates with completed transfer forms must be lodged with the Hong Kong branch share registrars and transfer office of the Company, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 31 August 2011.
4. The votes at the above mentioned meeting will be taken by poll.
5. As at the date of this notice, the board of directors of the Company comprises Mr. Li Shaofeng (Chairman and Executive Director), Mr. Chen Zheng (Managing Director and Executive Director), Mr. Jin Guo Ping (Deputy Managing Director and Executive Director), Mr. Leung Shun Sang, Tony (Non-executive Director), Mr. Kwong Che Keung, Gordon (Independent non-executive Director), Mr. Hui Hung, Stephen (Independent non-executive Director) and Prof. Japhet Sebastian Law (Independent non-executive Director).