
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** (the “Company”), you should at once hand this circular 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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環球數碼

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)

**MAJOR TRANSACTION
DISPOSAL OF 11.38% EQUITY INTEREST IN
GDC TECHNOLOGY LIMITED**

A letter from the Board is set out on pages 4 to 12 of this circular.

This circular, for which the directors of the Company (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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 circular misleading.

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.

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 of the Stock Exchange 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 shall have the following meanings:

“1 st Completion”	the completion of sale and purchase of the GDC Tech Sale Shares
“2 nd Completion”	the completion of sale and purchase of the GDC Tech Remaining Shares
“Agreement”	the sale and purchase agreement entered into between GDC Holdings and the Purchaser on 28 November 2014, pursuant to which GDC Holdings has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire a total of 29,779,777 GDC Tech Shares, being all the GDC Tech Shares held by GDC Holdings as at the date of the Agreement and the Latest Practicable Date
“Announcements”	the announcements of the Company dated 16 October 2014, 14 November 2014, 28 November 2014, 19 December 2014 and 24 December 2014 in relation to the Offer Letter and/or the Disposal
“Audit Committee”	the audit committee of the Company
“Board”	the board of Directors of the Company
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which commercial banks in the PRC, New York and Hong Kong are open for the conduct of regular banking business
“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 same meaning as ascribed to this term under the GEM Listing Rules
“controlling shareholder”	has the same meaning as ascribed to this term under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the sale of the GDC Tech Shares by GDC Holdings to the Purchaser pursuant to the Agreement

DEFINITIONS

“GDC Holdings”	GDC Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“GDC Tech”	GDC Technology Limited, a company incorporated in the Cayman Islands with limited liability, which is owned as to approximately 11.38% by GDC Holdings as at the date of the Agreement and the Latest Practicable Date
“GDC Tech Remaining Shares”	the remaining GDC Tech Shares to be sold by GDC Holdings to the Purchaser at 2 nd Completion, being 5,955,955 GDC Tech Shares less any GDC Tech Shares which GDC Holdings will transfer to the Purchaser pursuant to the consideration adjustment provisions under the Agreement
“GDC Tech Sale Shares”	23,823,822 GDC Tech Shares, to be sold by GDC Holdings to the Purchaser at 1 st Completion pursuant to the Agreement
“GDC Tech Share(s)”	ordinary share(s) of par value US\$0.0001 each in the share capital of GDC Tech
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, and any amendments thereto from time to time
“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
“Latest Practicable Date”	23 December 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Mr. Chen”	Mr. Chen Zheng, the executive Director and a substantial shareholder of the Company as at the date of the Agreement and the Latest Practicable Date
“Offer Letter”	the indicative non-binding offer letter issued by the Purchaser in relation to the Disposal on 15 October 2014, which has been accepted by GDC Holdings on 16 October 2014

DEFINITIONS

“Other SPA”	the sale and purchase agreement entered into between the Purchaser and other certain shareholders of GDC Tech in September 2014, pursuant to which the Purchaser has agreed to acquire a total of approximately 67.57% of the issued share capital of GDC Tech as at the date of the Agreement from such shareholders at an initial consideration of US\$0.4778 per GDC Tech Share (subject to adjustment on same terms applying to the Agreement)
“PRC”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Purchaser”	Huayi Brothers International Investment Limited, a company incorporated in the British Virgin Islands, an independent third party of the Company as at the date of the Agreement and the Latest Practicable Date
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Law of Hong Kong)
“Share(s)”	share(s) of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the same meaning as ascribed to this term under the GEM Listing Rules
“Upper Nice”	Upper Nice Assets Limited, a company incorporated in the British Virgin Islands and the controlling shareholder of the Company as at the date of the Agreement and the Latest Practicable Date
“US\$”	United States dollar, the lawful currency of the United States of America
“%”	percentage or per cent

For the purpose of this circular, the exchange rate of US\$1.00 = HK\$7.75 has been used, where applicable, for purposes of illustration only and does not constitute a representation that any amounts have been, could have been and may be exchanged, at this or any other rates.



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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)

Executive Directors:

Mr. Li Shaofeng (*Chairman*)
Mr. Chen Zheng (*Chief Executive Officer*)
Mr. Jin Guo Ping (*Vice President*)
Ms. Cheng Xiaoyu (*Vice President*)

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Non-executive Director:

Mr. Leung Shun Sang, Tony

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

Independent non-executive Directors:

Mr. Kwong Che Keung, Gordon
Prof. Japhet Sebastian Law
Mr. Chan Chung Chun

30 December 2014

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION
DISPOSAL OF 11.38% EQUITY INTEREST IN
GDC TECHNOLOGY LIMITED**

INTRODUCTION

Reference is made to the Announcements.

Upon further negotiations between GDC Holdings and the Purchaser, on 28 November 2014, GDC Holdings and the Purchaser entered into the Agreement.

The purpose of this circular is to provide you with, among other things, (i) information relating to the Agreement and the transactions as contemplated thereunder, and (ii) the financial information of the Group and other information as required under the GEM Listing Rules.

* *For identification purpose only*

LETTER FROM THE BOARD

THE DISPOSAL

On 28 November 2014, GDC Holdings and the Purchaser entered into the Agreement, principal terms of which are set out below:-

Date

28 November 2014

Parties

- (1) GDC Holdings, as vendor
- (2) Purchaser

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, as at the date of the Agreement and the Latest Practicable Date, the Purchaser and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Assets to be disposed of

29,779,777 GDC Tech Shares, being all the GDC Tech Shares currently held by GDC Holdings, representing approximately 11.38% of the issued share capital of GDC Tech as at the date of the Agreement and the Latest Practicable Date.

Consideration and payment terms

Pursuant to the Agreement, the Purchaser has agreed to acquire a total of 29,779,777 GDC Tech Shares from GDC Holdings at an initial consideration of US\$0.4778 per GDC Tech Share (subject to adjustment). Assuming there is no adjustment to the consideration of US\$0.4778 per GDC Tech Share, the Purchaser shall pay to GDC Holdings in cash in immediate funds as follows:-

- (a) US\$11,383,022.15 with respect to the GDC Tech Sale Shares (i.e. 23,823,822 GDC Tech Shares) will be paid at the 1st Completion; and
- (b) US\$2,845,755.30 with respect to the 5,955,955 GDC Tech Remaining Shares will be paid at the 2nd Completion.

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The initial consideration of US\$0.4778 per GDC Tech Share is subject to the following adjustment:-

- (a) If the average of the audited consolidated net profit of GDC Tech for the 3 financial years ending 31 December 2016 is less than US\$17 million, then, unless an increase to the consideration per GDC Tech Share will be made pursuant to sub-section (c) below, the consideration per GDC Tech Share in US\$ payable by the Purchaser to GDC Holdings under the Agreement shall be reduced in accordance with the following formula:

The adjusted consideration per GDC Tech Share = US\$0.4778 × (A ÷ US\$17 million)

“A” is the yearly average in US\$ of the audited consolidated net profit of GDC Tech for the 3 financial years ending 31 December 2016.

- (b) If the consideration per GDC Tech Share is reduced as a result of the sub-section (a) above, then GDC Holdings shall, on the 5th Business Day after the parties’ agreement or determination of the yearly average of the audited consolidated net profit of GDC Tech for the 3 financial years ending 31 December 2016 (i.e. the date on which the 2nd Completion will take place), transfer to the Purchaser at nominal consideration of US\$1 of such number of GDC Tech Shares as is equal to the product of the following formula:

The additional number of GDC Tech Shares to be transferred by GDC Holdings to the Purchaser (rounded down to the nearest whole number)

$$= (\text{US\$11,383,022.15} \div \frac{\text{the adjusted consideration per GDC Tech Share}}{\text{US\$1}}) - 23,823,822$$

provided that in no event shall the number of the GDC Tech Shares to be transferred by GDC Holdings to the Purchaser under this sub-section (b) exceed the number of the GDC Tech Shares that GDC Holdings will hold after the 1st Completion.

- (c) If the aggregate amount of the audited consolidated net profit of GDC Tech for the 2 financial years ending 31 December 2016 is greater than US\$42 million, the consideration per GDC Tech Share under the Agreement shall be increased to US\$0.5848 per GDC Tech Share. The additional consideration payable by the Purchaser in respect of the GDC Tech Sale Shares shall be paid to GDC Holdings in immediate funds at the 2nd Completion.

Pursuant to the Agreement, both (i) the transfer of the GDC Tech Shares to the Purchaser at the nominal consideration of US\$1 pursuant to sub-section (b) above (if any) and (ii) the additional consideration payable by the Purchaser in respect of the GDC Tech Sale Shares pursuant to sub-section (c) above (if any) will be made and/or paid on the date of the 2nd Completion (i.e. the completion of the sale and purchase of the GDC Tech Remaining Shares). The exact number of the GDC Tech Remaining Shares will also be fixed upon determination of the number of the GDC Tech Shares to be transferred to the Purchaser at the nominal consideration of US\$1 pursuant to sub-section (b) above (if any).

LETTER FROM THE BOARD

Assuming that the final consideration per GDC Tech Share is US\$0.4778 and there is no transfer of the GDC Tech Shares to the Purchaser at the nominal consideration of US\$1 pursuant to sub-section (b) above, the aggregate consideration for the 29,779,777 GDC Tech Shares to be sold by GDC Holdings to the Purchaser pursuant to the Agreement will be approximately US\$14,228,777.45 (equivalent to approximately HK\$110,273,025.24), of which the consideration of approximately US\$11,383,022.15 with respect to the GDC Tech Sale Shares will be paid at the 1st Completion and the consideration of approximately US\$2,845,755.30 with respect to the GDC Tech Remaining Shares will be paid at the 2nd Completion. The consideration of approximately US\$14,228,777.45 (equivalent to approximately HK\$110,273,025.24) represents an excess of approximately US\$3,339,384.22 (equivalent to approximately HK\$25,880,227.71) over the book value of the unaudited net assets of GDC Tech as at 30 June 2014 attributable to the GDC Tech Shares to be sold to the Purchaser under the Agreement, i.e. 29,779,777 GDC Tech Shares, being approximately US\$10,889,393.23.

Assuming that the final consideration per GDC Tech Share is US\$0.5848, the aggregate consideration for the 29,779,777 GDC Tech Shares to be sold by GDC Holdings to the Purchaser pursuant to the Agreement will be approximately US\$17,415,213.59 (equivalent to approximately HK\$134,967,905.32), of which approximately US\$11,383,022.15 representing the consideration for the GDC Tech Sale Shares at the initial consideration of US\$0.4778 per GDC Tech Share will be paid at the 1st Completion and approximately US\$6,032,191.44 representing the consideration for the GDC Tech Remaining Shares at the final consideration of US\$0.5848 per GDC Tech Share and the additional consideration in respect of the GDC Tech Sale Shares will be paid at the 2nd Completion. The consideration of approximately US\$17,415,213.59 (equivalent to approximately HK\$134,967,905.32) represents an excess of approximately US\$6,525,820.36 (equivalent to approximately HK\$50,575,107.79) over the book value of the unaudited net assets of GDC Tech as at 30 June 2014 attributable to the GDC Tech Shares to be sold to the Purchaser under the Agreement, i.e. 29,779,777 GDC Tech Shares, being approximately US\$10,889,393.23.

The consideration and the consideration adjustment mechanism under the Agreement have been arrived at after arm's length negotiations between GDC Holdings and the Purchaser and was determined with reference to the purchase price for other GDC Tech Shares acquired by the Purchaser from other certain shareholders of GDC Tech (including the original largest shareholder of GDC Tech immediately prior to the date of the Other SPA) as well as the consideration adjustment mechanism under the Other SPA, which are on the same terms as those under the Agreement. Accordingly, the Board considers that the consideration and the consideration adjustment mechanism under the Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Conditions precedent

Completion of the Agreement is conditional on the following:-

- (a) the approval from the Shareholders of the Company for the Agreement and the transactions contemplated thereunder as well as other requirements in accordance with the GEM Listing Rules;

LETTER FROM THE BOARD

- (b) expiration of a period of 20 Business Days after the Purchaser having obtained the approval from the PRC authority (namely, the State Administration of Foreign Exchange of the PRC) in relation to the transactions consummated under the Agreement;
- (c) the Purchaser having received a legal opinion from a British Virgin Islands counsel to GDC Holdings in relation to GDC Holdings' due execution of the Agreement and/or entering into the transactions contemplated thereunder in accordance with the applicable laws and regulations, in such form as may be reasonably acceptable to the Purchaser;
- (d) GDC Holdings having received a legal opinion from a British Virgin Islands counsel to the Purchaser in relation to the Purchaser's due execution of the Agreement and/or entering into the transactions contemplated thereunder in accordance with the applicable laws and regulations, in such form as may be reasonably acceptable to GDC Holdings;
- (e) the Purchaser having received a copy of the memorandum and articles (or their equivalent) of GDC Holdings together with a copy of its duly signed and valid board resolutions authorizing the entry into and performance by GDC Holdings of the Agreement and the transactions contemplated thereunder; and
- (f) GDC Holdings having received a copy of the memorandum and articles (or their equivalent) of the Purchaser together with a copy of its duly signed and valid board resolutions authorizing the entry into and performance by the Purchaser of the Agreement and the transactions contemplated thereunder.

If all the above conditions cannot be fulfilled or waived by GDC Holdings or the Purchaser (as the case may be) on or before 31 May 2015, the Agreement shall lapse and cease to have effect.

As at the Latest Practicable Date, the Company has received the written approvals from Upper Nice and Mr. Chen for the Agreement and the transactions contemplated thereunder.

Completion

The 1st Completion for the sale and purchase of the GDC Tech Sale Shares shall take place on the 5th Business Day after fulfillment or waiver by GDC Holdings or the Purchaser (as the case may be) of all the conditions precedent of the Agreement, unless the parties agree otherwise.

The 2nd Completion for the sale and purchase of the GDC Tech Remaining Shares shall take place on the 5th Business Day after the date of the parties' agreement or determination of the audited consolidated net profit of GDC Tech for each of the 3 financial years ending 31 December 2016, subject to any GDC Tech Shares having been transferred to the Purchaser by GDC Holdings pursuant to the consideration adjustment provisions under the Agreement as set forth in sub-section (b) under the section headed "Consideration and payment terms" above. Any additional consideration payable by the Purchaser in respect of the GDC Tech Sale Shares pursuant to the consideration adjustment provisions under the Agreement as set forth in sub-section (c) under the section headed "Consideration and payment terms" above shall also be paid to GDC Holdings in immediate funds at the 2nd Completion.

LETTER FROM THE BOARD

Dividend of GDC Tech

If the 1st Completion occurs after 31 January 2015, GDC Holdings shall be entitled to retain any GDC Tech's dividend declared prior to the 1st Completion to the extent such dividend represents a distribution of accumulated profits of GDC Tech and its subsidiaries as at any time up to 30 June 2014. If the 1st Completion occurs on or prior to 31 January 2015, GDC Holdings shall be entitled to retain any GDC Tech's dividend declared prior to the 1st Completion to the extent such dividend represents a distribution (when aggregated with all other such distributions declared on or after the date of the Agreement) of accumulated profits of GDC Tech and its subsidiaries as at 31 December 2013 not exceeding US\$4 million.

REASONS FOR AND BENEFITS OF THE DISPOSAL

Pursuant to the Offer Letter, the Purchaser has entered into the Other SPA with other certain shareholders of GDC Tech for acquisition of a total of approximately 67.57% of the issued share capital of GDC Tech as at the date of the Agreement. It is expected that upon completion of the Other SPA, on the assumption that the Purchaser has not disposed and will not dispose of any GDC Tech Shares, the Purchaser will become the largest shareholder of GDC Tech, holding not less than two-third of the issued share capital of GDC Tech as at the Latest Practicable Date. Taking into consideration that (i) the other certain shareholders of GDC Tech (including the original largest shareholder of GDC Tech immediately prior to the date of the Other SPA) have agreed to sell all of their respective GDC Tech Shares, representing a total of approximately 67.57% of the issued share capital of GDC Tech as at the date of the Agreement and the Latest Practicable Date, to the Purchaser under the Other SPA, (ii) the Purchaser agrees to acquire the GDC Tech Shares from GDC Holdings on terms same as or no less favourable than those under the Other SPA, (iii) the financial position of GDC Tech as at the latest accounting reference date was not as favourable as before, and (iv) since the disposal of its 46.62% equity interest in GDC Tech in September 2011 (details of which have been disclosed by the Company in its announcements and circular dated 12 July 2011, 16 August 2011 and 7 September 2011 respectively), the Group has been focusing on its core business in computer graphic creation and production, computer graphic training and cultural park and hence the Disposal will not affect the business operation of the Group, the Directors consider that the Disposal represents a good opportunity for the Group to realize its investment in GDC Tech at a fair and reasonable price and enables the Group to strengthen its current cash flow and liquidity position as well as to increase the general working capital and cash resources for other businesses of the Group and for any future potential investment opportunities that may arise from time to time. As disclosed in the Company's announcement dated 24 December 2014, the Company has identified a potential investment target and is in the process of negotiations with the prospective vendors on a possible acquisition for a controlling stake in the target which is principally engaged in advertising business. As at the Latest Practicable Date, the process of negotiations among the relevant parties was still on-going and no definite agreement in relation thereto had been entered into between the Company and the prospective vendors. The possible acquisition is subject to, among other things, the entering into of the definitive agreements and related documents, and the transaction may or may not proceed. There is no assurance as to whether and when the possible acquisition will take place. It is expected

LETTER FROM THE BOARD

that the possible acquisition, when materializes, may constitute a notifiable transaction of the Company under Chapter 19 of the GEM Listing Rules. The Company will make further announcement and comply with other requirements under the GEM Listing Rules as and when appropriate.

In view of the foregoing, the Directors consider that the terms of the Agreement and the Disposal are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

FINANCIAL EFFECTS OF THE DISPOSAL AND USE OF PROCEEDS

Upon the 1st Completion, the Group will hold 5,955,955 GDC Tech Shares, representing approximately 2.28% of the issued share capital of GDC Tech as at the date of the Agreement and the Latest Practicable Date. Upon the 2nd Completion, the Group will cease to hold any shareholding in the GDC Tech.

As disclosed above, the consideration for each GDC Tech Share will depend on (i) the average of the audited consolidated net profit of GDC Tech for the 3 financial years ending 31 December 2016, and (ii) the aggregate amount of the audited consolidated net profit of GDC Tech for the 2 financial years ending 31 December 2016. Pursuant to the Agreement, the Company is expected to recognize a gain from the Disposal (after deduction of relevant costs and expenses) ranging from approximately US\$430,000 (equivalent to approximately HK\$3.33 million) to approximately US\$6.45 million (equivalent to approximately HK\$49.99 million). The gain is calculated by reference to the consideration of either US\$0.4778 or US\$0.5848 per GDC Tech Share and the maximum number of the GDC Tech Shares which may be transferred to the Purchaser pursuant to the consideration adjustment provisions in the Agreement (details are set out in the section headed "Consideration and payment terms" above).

The net proceeds of the Disposal (after deduction of relevant costs and expenses) are estimated to range from approximately US\$11.32 million (equivalent to approximately HK\$87.73 million) to approximately US\$17.35 million (equivalent to approximately HK\$134.46 million) subject to any adjustment to be made to the final consideration per GDC Tech Share pursuant to the Agreement. The Company intends to apply the net proceeds of the Disposal as general working capital for the Group and future investment.

INFORMATION ON GDC TECH

GDC Tech is a company incorporated in the Cayman Islands with limited liability and is owned as to approximately 11.38% by GDC Holdings as at the date of the Agreement and the Latest Practicable Date. GDC Tech and its subsidiaries are principally engaged in development, manufacture and sale of digital cinema servers, and provision of a comprehensive suite of digital cinema products and services providing exhibitors and distributors with a solution for exhibiting digital cinema content.

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Set out below is the financial information of GDC Tech:

	For the year ended 31 December		<i>Unit: US\$</i> For the six months ended 30 June 2014
	2012	2013	
	(audited)	(audited)	(unaudited)
Revenue	116,551,942	104,517,163	36,354,111
Net profit before tax	32,435,104	19,756,291	7,038,953
Net profit after tax	27,732,276	16,285,942	5,912,721

	As at 31 December		<i>Unit: US\$</i> As at 30 June 2014
	2012	2013	
	(audited)	(audited)	(unaudited)
Net assets	36,903,222	41,220,353	27,940,846

INFORMATION ON THE GROUP, GDC HOLDINGS AND THE PURCHASER

The Group is principally engaged in computer graphic creation and production, computer graphic training and cultural park.

GDC Holdings is an investment holding company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company.

The Purchaser is an investment holding company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Huayi Brothers Media Corporation (華誼兄弟傳媒股份有限公司), which is a company listed on Shenzhen Stock Exchange (stock code: 300027) and an integrated entertainment group in the PRC principally engaged in the sectors of films, TV shows, talents management, games, music, cinema, entertainment market, live entertainment and new media.

IMPLICATIONS UNDER THE GEM LISTING RULES

As at the date of the Agreement and the Latest Practicable Date, GDC Holdings is a wholly-owned subsidiary of the Company and the Purchaser is an independent third party of the Group.

As the relevant percentage ratios for the Disposal exceed 25% but less than 75%, the Disposal constitutes a major transaction of the Company and is subject to the announcement and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

LETTER FROM THE BOARD

Since no Shareholders is required to abstain from voting if the Company were to convene a general meeting for approving the Agreement and the Disposal, shareholders' approval for the Agreement and the Disposal may be obtained by way of written Shareholders' approval in lieu of holding a general meeting pursuant to Rule 19.44 of the GEM Listing Rules. As at the date of the Agreement and the Latest Practicable Date, Upper Nice, the controlling shareholder of the Company holding 619,168,023 Shares (representing approximately 40.78% of the issued share capital of the Company), and Mr. Chen, a substantial shareholder of the Company holding 208,728,200 Shares (representing approximately 13.75% of the issued share capital of the Company), are "closely allied group of shareholders" under Rule 19.45 of the GEM Listing Rules, and they hold, in aggregate, 827,896,223 Shares (representing approximately 54.53% of the issued share capital of the Company). Both Upper Nice and Mr. Chen have given their written approvals in respect of the Disposal. Accordingly, no general meeting of the Company will be convened for the purpose of approving the Agreement and the Disposal.

The Disposal is subject to a number of conditions precedent and may or may not proceed to completion. Shareholders and potential investors are advised to exercise caution when making any decision related to dealing in the Shares of the Company.

FURTHER INFORMATION

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

By Order of the Board
For and on behalf of
Global Digital Creations Holdings Limited
Li Shaofeng
Chairman

1. CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR THE THREE YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

Details of the financial information of the Group for the three financial years ended 31 December 2011, 2012 and 2013 are disclosed in the Company's annual report as follows:-

- (a) page 47 to page 130 of the Company's annual report for the financial year ended 31 December 2011;
- (b) page 42 to page 122 of the Company's annual report for the financial year ended 31 December 2012; and
- (c) page 41 to page 114 of the Company's annual report for the financial year ended 31 December 2013; respectively.

All of these financial statements have been published on the website of the Stock Exchange at (www.hkexnews.hk) and the website of the Company (<http://www.gdc-world.com>).

2. INDEBTEDNESS STATEMENT

Borrowings

As at 31 October 2014, being the latest practicable date for the purpose of this statement of indebtedness (the "Statement") prior to the printing in this circular, the Group had the following outstanding bank borrowings:

	On demand or within a period not exceeding one year HK\$'000	Within a period of more than 1 year but not exceeding 5 years HK\$'000	Total HK\$'000
Interest-bearing bank borrowings, secured	<u>43,038</u>	<u>46,835</u>	<u>89,873</u>

As at 31 October 2014, the Group bank borrowings are secured by:

- (i) Pledge of the Group's building and plant and machinery with an aggregate carrying value of approximately HK\$234,721,000; and
- (ii) Pledge of the Group's prepaid lease payments with an aggregate carrying value of approximately HK\$5,927,000.

Mortgages and charges

Saved as disclosed in the section headed "Borrowings" above, the Group had no mortgages or charges as at 31 October 2014.

Debt securities

As at 31 October 2014, the Group had no debt securities.

Capital Commitments

HK\$'000

Capital expenditure contracted for but not provided in respect of the additional construction costs of investment properties	<u>11,159</u>
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Contingent liabilities

As at 31 October 2014, the Group had no material contingent liabilities.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade and others payables in the ordinary course of business, the Group did not have any other loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, and authorised or otherwise created but unissued and term loans or other borrowings, indebtedness in the nature of borrowings, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities outstanding on 31 October 2014.

3. WORKING CAPITAL

The Directors are of the opinion that, after due and careful enquiry, after taking into account the expected completion of the transactions as mentioned in this circular and the financial resources available to the Group (including but not limited to internally generated funds, cash and cash equivalents and other external facilities from banks), the Group will have sufficient working capital for its present requirements for a period of twelve months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2013, being the date to which the latest published audited financial statements of the Group was made up.

5. FINANCIAL AND TRADING PROSPECT OF THE GROUP

After the completion of the Disposal, the Group will continue to focus on the operation and development of its core businesses principally engaged in computer graphic creation and production, computer graphic training and cultural park.

As disclosed in the Group's latest interim report, the audited consolidated revenue and gross profit of the Group for the six months ended 30 June 2014 was approximately HK\$102 million (six months ended 30 June 2013: approximately HK\$85 million) and HK\$39 million (six months ended 30 June 2013: approximately HK\$35 million) respectively. The profit attributable to owners of the Company for the six months ended 30 June 2014 was approximately HK\$33 million (six months ended 30 June 2013: approximately HK\$24 million).

Looking ahead, the Group expects the business environment will remain challenging. For the computer graphic creation and production, the Group will continue to improve software and production process in order to deliver high quality products and enhance cost control effectiveness through technical advancement. In the past two years, continuous efforts in production of intellectual property ("IP") projects resulted in successful launching of a 3-D animated film series. The Group will allocate more resources on its own IP projects and plans to explore opportunities in developing related licensed products. The performance of computer graphic training segment is yet to be improved. The management team of this segment is striving to enhance its competitiveness by implementing specific measures to improve marketing capabilities. The training segment will also increase the diversity and practicability of training courses to cope with market demand. Rental income contributed by phase one of the cultural park expects to remain stable in the coming few years. The Group plans to make regular improvements to the quality of the redeveloped properties in phase one as well as design for phase two redevelopment for the cultural park.

The Group remains cautiously optimistic about its prospects and will continue to expand its business in a prudent manner to seek for maximizing returns to its shareholders in the long run.

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 in this circular misleading.

2. DISCLOSURE OF INTERESTS**(a) Interests of Directors and chief executives of the Company**

As at the Latest Practicable Date, save as disclosed below, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions 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 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 and short positions which they are deemed or taken to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered into the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange:

Name	Long position/ short position	Capacity and nature of interest	Number of Shares held	Approximate percentage of the Company's issued share capital
Mr. Chen	Long position	Beneficial owner	208,728,200	13.75%
Mr. Leung Shun Sang, Tony	Long position	Beneficial owner	30,008,200	1.98%
Mr. Kwong Che Keung, Gordon	Long position	Beneficial owner	10,800,820	0.71%
Prof. Japhet Sebastian Law	Long position	Beneficial owner	3,000,000	0.20%

(b) Interests of substantial shareholders of the Company

As at the Latest Practicable Date, save as disclosed below, according to the list of substantial shareholders extracted from the website of the Stock Exchange (www.hkex.com.hk), the following companies or persons (except for the Directors or chief executives of the Company) had an interest or short position in the Shares and the register of interests kept by the Company under section 336 of the SFO and as far as was known to the Directors, no person other than a Director whose interests are disclosed above, had an interest or short position in the Shares and 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, was, directly or indirectly, deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group or had any option in respect of such capital:-

Name of Shareholder	Capacity and nature of interest	Number of Shares interested	Approximate percentage of interest in the issued share capital of the Company
Shougang Holding (Hong Kong) Limited (“Shougang Holding”)	Interests of controlled corporations	619,168,023 (Note)	40.78%
Wheeling Holdings Limited (“Wheeling”)	Interests of controlled corporations	619,168,023 (Note)	40.78%
Shougang Concord Grand (Group) Limited (“Shougang Grand”)	Interests of controlled corporations	619,168,023 (Note)	40.78%
Upper Nice	Beneficial owner	619,168,023 (Note)	40.78%

Note: Upper Nice is an indirect wholly-own subsidiary of Shougang Grand. Shougang Grand is 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 share capital of the Company which Upper Nice is interested pursuant to the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into any service agreements with any member of the Group, excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

4. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or controlling shareholder of the Company or any of their respective close associates had engaged in any business that competes or may compete with the business of the Group or has or may have any other conflict of interests with the Group which is required to be disclosed under Rule 11.04 of the GEM Listing Rules.

5. OTHER INTERESTS OF THE DIRECTORS

As at the Latest Practicable Date,

- (a) none of the Directors had any interest, either direct or indirect, in any assets which have been, since 31 December 2013 (being 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; and
- (b) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which is subsisting as at the date of this circular and is significant in relation to the business of the Group.

6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

7. GENERAL

- (a) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 1, Bermuda.
- (b) The head office and principal place of business of the Company in Hong Kong is located at Unit 1-7, 20/F., Kodak House II, 39 Healthy Street East, North Point, Hong Kong.
- (c) The branch share registrar of the Company in Hong Kong is Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

- (d) The company secretary of the Company is Ms. Kam Man Yi, Margaret, who is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of Certified Public Accountants, Australia.
- (e) The English text of this circular shall prevail over the Chinese text in the event of inconsistency.

8. AUDIT COMMITTEE

The Audit Committee was established in July 2003 with specific written terms of reference which set out its authorities and duties. The terms of reference of the Audit Committee are available on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (<http://www.gdc-world.com>).

The principal duties of the Audit Committee include, among other things:

- (a) overseeing the relationship with the Company's auditor;
- (b) reviewing the quarterly, interim and annual financial statements; and
- (c) reviewing the Company's financial reporting system, internal control procedures and companies policy which includes the whistleblowing policy reporting system.

As at the Latest Practicable Date, the Audit Committee consists of three independent non-executive Directors, namely, Mr. Kwong Che Keung, Gordon, Prof. Japhet Sebastian Law and Mr. Chan Chung Chun, and is chaired by Mr. Kwong Che Keung, Gordon with their respective biographical background below. None of the members of the Audit Committee are former partners of the auditor of the Company.

Mr. Kwong Che Keung, Gordon, aged 65. Mr. Kwong was appointed as an independent non-executive Director of the Company in April 2003. He is also the Chairman of the Audit Committee, a member of each of the Remuneration Committee and the Nomination Committee of the Company. Mr. Kwong also serves as an independent non-executive director of a number of Hong Kong listed companies including NWS Holdings Limited, OP Financial Investments Limited, China Power International Development Limited, Henderson Land Development Company Limited, Henderson Investment Limited, Agile Property Holdings Limited, CITIC Telecom International Holdings Limited, China COSCO Holdings Company Limited and Chow Tai Fook Jewellery Group Limited. He was an independent non-executive director of the following Hong Kong Listed companies during the past three years: China Chengtong Development Group Limited, COSCO International Holdings Limited, Beijing Capital International Airport Company Limited and Quam Limited. Mr. Kwong graduated from the University of Hong Kong in 1972 and qualified as a chartered accountant in England and Wales in 1977. Mr. Kwong was a partner of PriceWaterhouse Hong Kong from 1984 to 1998 and was

an independent member of the Council of the Stock Exchange from 1992 to 1997, during which, he had acted as convener of both the compliance committee and the listing committee.

Prof. Japhet Sebastian Law, aged 63. Prof. Law was appointed as an independent non-executive Director of the Company in September 2008. He is also the Chairman of the Remuneration Committee, a member of each of the Audit Committee and Nomination Committee of the Company. Prof. Law graduated from the University of Texas at Austin with a doctor of philosophy degree in mechanical/industrial engineering in 1976. He joined The Chinese University of Hong Kong in 1986 and retired in August 2012. Before retirement, he was a professor in the Department of Decision Sciences and Managerial Economics. He was the associate dean and subsequently the dean of the Faculty of Business Administration of The Chinese University of Hong Kong from 1993 until 2002. Prior to returning to Hong Kong, Prof. Law was a director of Operations Research at the Cullen College of Engineering and a director of Graduate Studies in Industrial Engineering at the University of Houston and was also involved with the U.S. Space Program in his career with McDonnell Douglas and Ford Aerospace in the United States. He acts as a consultant for various corporations in Hong Kong and overseas. Prof. Law is active in public services and serves as a member of the Provisional Regional Council of the Hong Kong SAR Government and various other committees. He is active on the boards of profit, non-profit and charitable organisations in Hong Kong and overseas. From July 2003 to February 2006, Prof. Law had also acted as an independent non-executive Director of the Company. He currently serves as an independent non-executive director of Tianjin Port Development Holdings Limited, Beijing Capital International Airport Company Limited, Binhai Investment Company Limited, Regal Hotels International Holdings Limited, Tianjin Binhai Teda Logistics (Group) Corporation Limited, Shougang Fushan Resources Group Limited and Shanghai La Chapelle Fashion Co., Ltd., all of which are listed companies in Hong Kong. He was an independent non-executive director of Cypress Jade Agricultural Holdings Limited and First China Financial Holdings Limited.

Mr. Chan Chung Chun, aged 55. Mr. Chan was appointed as an independent non-executive Director of the Company in June 2012. He is also a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company. He is a fellow member and an associate member of the Hong Kong Institute of Certified Public Accountants and The Australian Society of Certified Practising Accountants respectively. Mr. Chan holds a Bachelor Degree in Commerce from James Cook University of North Queensland and a Master Degree in Commerce from University of New South Wales in Australia. He had worked for the audit department of Ernst & Young for about 7 years and has extensive working experience in accounting and commercial fields, particularly in the manufacturing, marketing and retailing of consumer products in Hong Kong and the PRC. Mr. Chan is currently the deputy chairman and executive director of Sinocop Resources (Holdings) Limited, an independent non-executive director of Shougang Concord Century Holdings Limited and Shougang Fushan Resources Group Limited, all of which are listed companies in Hong Kong.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Unit 1-7, 20/F., Kodak House II, 39 Healthy Street East, North Point, Hong Kong during normal business hours from 10:00 a.m to 1:00 p.m. and from 2:00 p.m to 5:00 p.m on any weekday (except Saturdays Sundays and public holidays) for a period of 14 days from the date hereof:

- (a) the bye-laws of the Company;
- (b) the annual reports of the Company for the three financial years ended 31 December 2011, 2012 and 2013 and the interim report for the six months ended 30 June 2014; and
- (c) this circular.