

SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. Since it is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Company.

There are risks associated with any investment. Some of the particular risks in investing in the Company are set out in the section headed “Risk factors” of this prospectus. You should read that section carefully before you decide to invest in the Company.

BUSINESS

The Group’s business activities represent an integration of the entire value chain in the digital content business, encompassing creation, production (for its own projects and projects contracted to it by third parties) and distribution of digital contents, in order to meet two developing global trends of (i) strong continuing growth in demand for digital contents, particularly CG imaging; and (ii) a paradigm shift from a chemical film based medium to an electronic, digital medium in the cinema industry.

To compete in the high value end, the Group has established a training facility designed to produce a continuous supply of skilled and reasonably priced manpower for CG production and has also created a production house which has substantially completed (as to approximately 70%) a full length CG 3D animated movie in high definition namely, *Thru the Moebius Strip*. *Thru the Moebius Strip* is a science fiction/fantasy epic story about a search by Jac Weir for his father Simon Weir, a physicist, who becomes lost and trapped in a distant planet after he crossed a space-time portal. The CG creation and production business, together with the training facility, positions the Group as a global player capable of leveraging on the lower cost human resources in the Asian region, particularly in China.

The Group’s self-developed digital cinema technology (all technology relating to DSRTM Digital Film Agile Encoders and DSRTM Digital Film Servers) is leading the paradigm shift away from film based distribution and uniquely positions the Group as a player in the distribution chain.

The Group targets the global markets in relation to its CG creation and production business. In terms of its digital content distribution and exhibition business, it is initially targeting the PRC (in key cities such as Shanghai and Beijing) and Asia Pacific markets (such as India, Hong Kong and Singapore).

CG creation and production

The core operations of the Group’s CG creation and production business involve the operation of a production pipeline. The Group has brought in supervisory personnel in CG production from Hollywood and Hong Kong, with a view to developing a studio capable of implementing the Group’s CG projects. The Group’s production facilities in Shenzhen, the PRC are capable of storyboarding, production design and props development, computer animation and special effects. Up to the Latest Practicable Date, no revenue has been generated from CG creation and production yet.

Digital content distribution and exhibitions

The Directors believe that a successful digital content company must integrate vertically its CG creation and production business into distribution of digital contents. The Directors estimate that there are over 1,000 screens in cinemas throughout the PRC. The Group has started the business of digital content distribution and exhibitions in Shanghai, the PRC and Mumbai, India and intends to further target the markets of Hong Kong, Singapore and the US. The Group has developed proprietary technologies for a variety of digital content imaging applications, including digital cinema exhibition system, a network-based

digital content distribution for live and recorded programs, gaming and video on demand. These technologies are also used by, and are forming part of, the production pipelines for the Group’s CG creation and production.

Provision of CG training courses

The number of highly skilled and motivated digital artists is limited in the PRC. In order to secure a stable supply of CG creation and production staff for the Group’s CG projects, the Group organizes CG training courses in Shenzhen in cooperation with Shenzhen University, the PRC. The Group deploys an experienced team of technical and creative professionals to provide guidance to students and has produced a series of Chinese books for its courses. In February 2003, the Group entered into an agreement with Shanghai Xin Chang Ning for, among other things, the provision of CG training in Shanghai. In March 2003, the Group started to organize CG training courses in Shanghai.

Further details of the Group’s principal business are set out in the paragraph headed “Description of business” in the section headed “Business” of this prospectus.

REVENUE MODEL

Set out below is a summary of the Group’s revenue model.

Revenue model for existing business

Nature of business	Source of revenue	Basis of charge	Revenue recognition	Payment terms offered
(1) Digital content distribution and exhibitions	Revenue from sale and maintenance of equipment, franchise and management fees and rentals for digital cinemas and digital content imaging applications	Governed by contract terms	(i) Revenue from sale of equipment is recognized upon delivery of equipment to customers;	Customers of sale of equipment will be required to settle the invoices in cash or by way of letters of credit prior to delivery or be given a short credit period of a maximum of 30 days from the date of invoices. Maintenance fees, franchise and management fees and rentals are to be settled within 10 days after each calendar quarter end
			(ii) revenue from maintenance of equipment is recognized on a straight-line basis over the period of maintenance;	
			(iii) franchise and management fees are recognized on a straight-line basis over the period of the service; and	
			(iv) rental income is recognized on a straight-line basis	

SUMMARY

Nature of business	Source of revenue	Basis of charge	Revenue recognition	Payment terms offered
	Share of box office receipts from showing films and alternative programs such as lectures and sport events in digital cinemas	Governed by contract terms	Box office receipts are recognized upon submission of cinema operators' statements	There will be no credit period offered to cinema operators for the box office receipts as the receipts are required to be credited to the Group's bank accounts by way of bank transfers upon submission of the cinema operators' statements
(2) Provision of CG training courses	Share of tuition fee from CG training courses	Governed by contract terms	Fees are recognized over the period of the course	Payment must be made in full at the commencement of the training courses

Revenue model for future business

Nature of business	Source of revenue	Basis of charge	Revenue recognition	Payment terms offered	Estimated commencement time of cash receipt
(1) CG creation and production	Fees from production of movies, television, commercials and games contracted to it by third parties	Governed by contract terms	Fees are recognized when services are rendered and with reference to stages of completion where appropriate	Settlement is required within an agreed timeframe, usually within 30 days from the date of invoices	December 2003
	Box office receipts and sale of videos, DVDs, games, television broadcasting, satellite broadcasting and cable broadcasting from productions in which the Group has an interest	Governed by contract terms	Box office receipts are recognized when the digital motion pictures are exhibited. Revenue from sale of videos, DVDs and games are recognized upon availability of sale by distributors/retailers.	Payment is due and payable within 30 days from the date of invoices	June 2004
			Revenue from the licensing of productions for broadcasting is recorded when the material is available for broadcasting by the licensee and when the terms of the licensing agreement are met		

SUMMARY

Nature of business	Source of revenue	Basis of charge	Revenue recognition	Payment terms offered	Estimated commencement time of cash receipt
	Revenue and licensing fees from merchandising and publishing rights on the Group's intellectual property	Governed by contract terms	Revenue is recognized when the underlying royalty income is earned	Payment is due and payable within 30 days from the date of invoices	August 2004
(2) Digital content distribution and exhibitions	Fees from cinema advertising which are expected to be predominately solicited by the cinemas	Governed by contract terms	Fees are recognized upon submission of cinema operators' statements	There will be no credit period offered to cinema operators for the box office receipts as the receipts are required to be credited to the Group's bank accounts by way of bank transfers upon submission of the cinema operators' statements	January 2004
(3) Provision of CG training courses	Share of franchise fee from CG training courses	Governed by contract terms	Fees are recognized on an accrual basis in accordance with the substance of the relevant agreement	Payment is due and payable within 30 days from the date of invoices	June 2005

COMPETITIVE EDGE

Although competition within the CG industry is intense, the Directors believe that the Group has the following competitive edge:

- the integration of pre-production facilities (comprising a team of sculptors, graphic designers and storyboard artists) coupled with the CG production studio makes the Group self sufficient in an efficient manner;
- research and development capabilities in CG and CG film production as the Group develops most of its own software tools for CG production;
- a stable pool of digital artists cultivated by the Group through its training courses (as demonstrated by the number of graduates ultimately employed by the Group);
- senior management with over 15 years of experience and business network in the CG industry to facilitate the sourcing of CG works and establishment of business relationships with industry partners;
- collaborations with Shenzhen University, CFG, Sony Pictures Imageworks and TI;
- lower labour costs in CG film making of the Group as compared to those in the US;

- well developed production pipeline which consists of well-defined workflow and working cells/modules with sophisticated internal supervisory control;
- proprietary DSRTM technologies in digital film processing, encryption, compression, storage, delivery and distribution; and
- employment of over four overseas technical and creative professionals (who all have past experience in Hollywood's film industry) for CG production.

OVERALL BUSINESS OBJECTIVES

The overall business objective of the Company is to become a leader in the CG creation and production and digital content distribution and exhibition industry in Asia. To achieve the Company's overall business objective, the Directors have formulated the following business strategies in respect of the Group's business segments of CG creation and production, digital content distribution and exhibitions and provision of CG training courses.

CG creation and production

- Enhance the Group's international recognition with a pipeline of high profile production
- Establish a merchandising arm
- Operate a games development and publication base
- Operate a magazine and comics base
- Develop further intellectual property in conjunction with international partners

Digital content distribution and exhibitions

- Market the Group's end-to-end digital cinema solution
- Maintain quality and continue to enhance profit margin by lowering costs
- Further penetrate the PRC market, initially in key cities such as Shanghai and Beijing
- Penetrate the Asia Pacific digital cinema markets, in particular, in India, Hong Kong and Singapore
- Expand into the US market, initially in California
- Develop upstream and downstream products, including development of a network-based digital entertainment system for the seamless delivery of movies, games, and other entertainment content, employing the Group's compression, cryptography, delivery and distribution technologies
- Conduct further research, enhancement and development of higher technical specifications for digital cinema technology

Provision of CG training courses

- Continue to organise training courses for digital artists in the PRC, extending to South East Asia, initially Malaysia, which will serve the dual purposes of (i) contribution of revenue and (ii) ensuring a continuous supply of qualified digital artists for the Group's CG projects

SUMMARY

Please refer to the section headed “Statement of business objectives” of this prospectus for details of the Group’s business strategies and the implementation schedule for the period from the Latest Practicable Date to 31st December, 2005.

TRADING RECORD

The following is a summary of the consolidated results of the Group for the Track Record Period and the one month ended 31st January, 2002 which have been extracted from the accountants’ report of the Group set out in appendix I to this prospectus. The consolidated results have been prepared on the basis of preparation set out in the same accountants’ report. The calculation of loss per Share takes no account of the Capitalization Issue to be effected after the date of this prospectus.

	Year ended 31st December,		One month ended 31st January,	
	2001	2002	2002	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover (<i>Note 1</i>)				
Training fees	2,240	2,052	199	228
Box office receipts from distribution of digital motion pictures	—	151	—	—
Rental income from equipment leasing	—	55	—	6
Franchise fee from digital cinema for use of equipment	—	48	—	6
	2,240	2,306	199	240
Cost of sales	(3,069)	(3,228)	(235)	(286)
Gross loss	(829)	(922)	(36)	(46)
Other revenue	12	22	2	—
Administrative expenses	(7,657)	(11,644)	(736)	(1,145)
Other operating expenses, net	(1,761)	(3,089)	(221)	(253)
Operating loss	(10,235)	(15,633)	(991)	(1,444)
Finance costs	(82)	(1,796)	(21)	(446)
Loss for the year/period	(10,317)	(17,429)	(1,012)	(1,890)
Loss per Share (<i>Note 2</i>)	(25.79 cents)	(43.57 cents)	(2.53 cents)	(4.73 cents)

SUMMARY

Notes:

- (1) During the Track Record Period and the one month ended 31st January, 2002, all of the Group's turnover was derived in the PRC.
- (2) The calculation of loss per Share is based on the consolidated loss for the year/period of approximately HK\$10,317,000 and HK\$17,429,000 for the years ended 31st December, 2001 and 2002 and HK\$1,012,000 and HK\$1,890,000 for the one months ended 31st January, 2002 and 2003 respectively, and on the number of 40,000,000 Shares deemed to be in issue since 1st January, 2001.

REASONS FOR THE NEW ISSUE AND USE OF PROCEEDS

The net proceeds from the New Issue, after deducting related commission and expenses, are estimated to be approximately HK\$53.3 million. The Directors intend to apply the net proceeds as follows:

- as to approximately HK\$4.9 million for strengthening its management team and international marketing team;
- as to approximately HK\$27.7 million for developing the digital cinema distribution network in the PRC and Asia;
- as to approximately HK\$12.6 million for research and development of digital cinema technologies in Hong Kong;
- as to approximately HK\$5.6 million for production maintenance, which include as to HK\$2.0 million for overheads and staff payment, and as to HK\$3.6 million for co-financing (i.e. participation by the Group in financing CG projects along with other investor(s)) in relation to the Group's CG projects on hand other than *Thru the Moebius Strip*; and
- as to the balance of approximately HK\$2.5 million as general working capital for the Group.

The proposed use of the net proceeds by the Group for the period from the Latest Practicable Date to 31st December, 2003 and for each of the six-month periods from 1st January, 2004 to 31st December, 2005 is set out below.

	From the Latest Practicable Date to		For the 6 months ending			Total
	31st December, 2003	30th June, 2004	31st December, 2004	30th June, 2005	31st December, 2005	
	<i>HK\$ million</i>					
Strengthening management and international marketing team	4.9	—	—	—	—	4.9
Developing digital cinema distribution network	1.5	8.5	8.5	4.6	4.6	27.7
Research and development of digital cinema technologies	2.4	2.4	2.4	3.0	2.4	12.6
Production maintenance and co-financing	3.2	1.2	1.2	—	—	5.6
Working capital	2.5	—	—	—	—	2.5
Total	14.5	12.1	12.1	7.6	7.0	53.3

SUMMARY

The Directors believe that the net proceeds from the New Issue together with the Group's internally generated cash flows will be sufficient to finance all planned and/or intended projects of the Group as described in the section headed "Statement of business objectives" of this prospectus.

In the event that any part of the business plans of the Group does not materialise or proceed as planned, the Directors will carefully evaluate the situation and may reallocate the intended funding to other business plans and/or to new projects of the Group and/or to hold the funds as short-term deposits so long as the Directors consider it to be in the best interest of the Company and its shareholders taken as a whole.

To the extent that the net proceeds of the New Issue are not immediately required for the above purposes, it is the present intention of the Directors that such net proceeds will be placed in short-term interest-bearing deposits with authorised financial institutions in Hong Kong. In the event that the Company changes or intends to change the manner of application of the use of proceeds from the New Issue, it will issue a separate announcement as soon as practicable and take relevant actions to comply with the provisions of the GEM Listing Rules.

Warning:

The Group's plans and intentions as set out above are based on the existing plans and intentions of the Group. Furthermore, as such plans and intentions are based on assumptions of future events which by their nature are subject to uncertainty, the Group's actual course of action may vary from the plans and intentions as set out above. Although the Directors will endeavour to execute such plans in accordance with the scheduled timeframe, there is no assurance that such plans will materialise, resulting in the conclusion of any agreement or be accomplished in accordance with the aforesaid timeframe or that the objectives of the Group will be fully fulfilled or fulfilled at all. In addition, many if not all of the underlying assumptions are untested and accordingly, may turn out to be invalid. This may result in any or all of the objectives not being achieved within the scheduled timeframe or at all.

NEW ISSUE STATISTICS (Based on the Issue Price of HK\$1.00 per Share)

Market capitalization (<i>Note 1</i>)	HK\$780 million
Adjusted net tangible asset value per Share (<i>Note 2</i>)	11.84 cents

Notes:

- The calculation of market capitalization is based on the 780,000,000 Shares in issue immediately after the completion of the New Issue and the Capitalization Issue and takes no account of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme and/or the Sotas Option or which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to under the paragraph headed "Resolutions of the Shareholders passed at the Company's special general meeting held on 18th July, 2003" in appendix V to this prospectus.
- The adjusted net tangible asset value per Share has been arrived at after making the adjustments referred to under the paragraph "Adjusted net tangible assets" in the section headed "Financial information" of this prospectus and on the basis of a total of 780,000,000 Shares in issue immediately after the completion of the New Issue and the Capitalization Issue but takes no account of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme and/or the Sotas Option or which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to under the paragraph headed "Resolutions of the Shareholders passed at the Company's special general meeting held on 18th July, 2003" in appendix V to this prospectus.

SHAREHOLDING STRUCTURE AND RESTRICTIONS ON DISPOSAL OF SHARES

Name of Shareholders	Date of first entry into the Group <i>(Note 19)</i>	Number of Shares held immediately after the New Issue and the Capitalization Issue but before the exercise of the Sotas Option	Approximate % of Shares held immediately after the New Issue and the Capitalization Issue but before the exercise of the Sotas Option	Total investment amount/ consideration <i>HK\$</i>	Approximate average cost/ consideration per Share <i>HK\$</i>	Lock-up period commencing from the Listing Date
Initial Management Shareholders <i>(Note 21)</i>						
Upflow Holdings Limited <i>(Note 1)</i>	31st March, 2000	214,122,516	27.5	60,138,000	0.281	12 months
Raymond Neoh <i>(Note 1)</i>	31st March, 2000	214,122,516	27.5	60,138,000	0.281	12 months
Anthony Neoh <i>(Note 2)</i>	31st March, 2000	124,974,230	16.0	35,100,000	0.281	12 months
Chong Man Nang <i>(Note 3)</i>	17th June, 2000	8,331,615	1.1	N/A	N/A	12 months
Forward Strategic <i>(Note 4)</i>	20th January, 2001	61,015,197	7.8	N/A	N/A	12 months
GDC <i>(Note 4)</i>	20th January, 2001	61,015,197	7.8	N/A	N/A	12 months
Upflow Holdings Limited <i>(Note 1)</i>	20th January, 2001	61,015,197	7.8	N/A	N/A	12 months
Raymond Neoh <i>(Note 1)</i>	20th January, 2001	61,015,197	7.8	N/A	N/A	12 months
Bright Oceans Corporation (HK) Limited <i>(Note 5)</i>	26th April, 2001	20,579,090	2.6	19,500,000	0.948	12 months
David Deng Wei <i>(Note 5)</i>	26th April, 2001	20,579,090	2.6	19,500,000	0.948	12 months
Huang Yi <i>(Note 5)</i>	26th April, 2001	20,579,090	2.6	19,500,000	0.948	12 months
Zhang Dong Sheng <i>(Note 5)</i>	26th April, 2001	20,579,090	2.6	19,500,000	0.948	12 months
Richard Yingneng Yin <i>(Note 6)</i>	31st March, 2000	8,331,615	1.1	2,340,000	0.281	12 months

SUMMARY

Name of Shareholders	Date of first entry into the Group <i>(Note 19)</i>	Number of Shares held immediately after the New Issue and the Capitalization Issue but before the exercise of the Sotas Option	Approximate % of Shares held immediately after the New Issue and the Capitalization Issue but before the exercise of the Sotas Option	Total investment amount/ consideration <i>HK\$</i>	Approximate average cost/ consideration per Share <i>HK\$</i>	Lock-up period commencing from the Listing Date
----------------------	--	--	---	---	--	---

Sotas Limited <i>(Note 7)</i>	10th May, 2000	55,544,102	7.1	25,974,000	0.468	12 months
Morningside CyberVentures Holdings Limited <i>(Note 7)</i>	1st December, 2002	55,544,102	7.1	25,974,000	0.468	12 months
Verrall Limited <i>(Note 7)</i>	1st December, 2002	55,544,102	7.1	25,974,000	0.468	12 months

Perfect Brilliant Limited <i>(Note 8)</i>	21st August, 2002	29,160,654	3.8	8,190,000	0.281	12 months
William Ka Chung Lam <i>(Note 8)</i>	31st March, 2000	29,160,654	3.8	8,190,000	0.281	12 months

Significant Shareholders *(Note 22)*

Cyber Prime Developments Limited <i>(Note 9)</i>	21st August, 2002	41,658,077	5.4	11,700,000	0.281	12 months
Billion On Development Limited <i>(Note 9)</i>	30th June, 2003	41,658,077	5.4	11,700,000	0.281	12 months
Festival Developments Limited <i>(Note 9)</i>	30th June, 2003	41,658,077	5.4	11,700,000	0.281	12 months
Kingsway China Holdings Limited <i>(Note 9)</i>	30th June, 2003	41,658,077	5.4	11,700,000	0.281	12 months
SW Kingsway <i>(Note 9)</i>	21st August, 2002	41,658,077	5.4	11,700,000	0.281	12 months

SUMMARY

Name of Shareholders	Date of first entry into the Group (Note 19)	Number of Shares held immediately after the New Issue and the Capitalization Issue but before the exercise of the Sotas Option	Approximate % of Shares held immediately after the New Issue and the Capitalization Issue but before the exercise of the Sotas Option	Total investment amount/consideration HK\$	Approximate average cost/consideration per Share HK\$	Lock-up period commencing from the Listing Date
Public Shareholders						
Financial Outreach Limited (Notes 10 & 23)	31st March, 2000	16,663,231	2.1	4,680,000	0.281	12 months
Daniel Gia Tien Lam (Notes 10 & 23)	31st March, 2000	16,663,231	2.1	4,680,000	0.281	12 months
Christopher Paul Neoh (Notes 11 & 23)	31st March, 2000	10,414,519	1.3	2,925,000	0.281	12 months
Ajitkumar Chandubhai Patel (Note 12)	31st March, 2000	10,414,519	1.3	2,925,000	0.281	N/A
Future United Investments Limited (Note 13)	24th July, 2001	10,289,545	1.3	9,750,000	0.948	N/A
Yeh Chiang Sheng (Note 13)	24th July, 2001	10,289,545	1.3	9,750,000	0.948	N/A
SRI Group Limited (Notes 14 & 23)	25th October, 2002	16,663,231	2.1	5,000,000	0.300	12 months
Heng Fung Capital Company Limited (Notes 14 & 23)	25th October, 2002	16,663,231	2.1	5,000,000	0.300	12 months
Heng Fung Holdings Limited (Notes 14 & 23)	25th October, 2002	16,663,231	2.1	5,000,000	0.300	12 months
Kanwin Corporation (Notes 15 & 23)	25th October, 2002	4,165,808	0.5	1,250,000	0.300	12 months
Victor Yang (Notes 15 & 23)	25th October, 2002	4,165,808	0.5	1,250,000	0.300	12 months
Marketeer Management Limited (Notes 16 & 23)	19th November, 2002	27,772,051	3.6	13,026,000	0.469	12 months
Elizabeth Lee Ka Ying (Notes 16 & 23)	19th November, 2002	27,772,051	3.6	13,026,000	0.469	12 months
Overseas Chinese Town (Notes 17 & 23)	10th June, 2003	38,000,000	4.9	28,500,000	0.750	12 months
CITIC International Assets Management Limited (Notes 18 & 23)	12th June, 2003	15,600,000	2.0	11,700,000	0.750	12 months
Shareholders under the New Issue	N/A	66,300,000	8.5	N/A	1.000	N/A

SUMMARY

Notes:

1. Upflow Holdings Limited is wholly and beneficially owned by Raymond Neoh, who is an executive Director. Accordingly, Upflow Holdings Limited and Raymond Neoh are Initial Management Shareholders. Raymond Neoh is the younger brother of Anthony Neoh and Christopher Paul Neoh.

On 31st March, 2000, GDC effected three share swaps with Raymond Neoh and Upflow Holdings Limited pursuant to which GDC allotted and issued new shares of GDC to Upflow Holdings Limited in consideration of GDC's acquisitions of certain equity interests in GDC Entertainment Limited, GDC E-Com Limited and DCDC either wholly or partly owned by Raymond Neoh or Upflow Holdings Limited at an aggregate consideration of US\$7,710,000 (equivalent to HK\$60,138,000).

Pursuant to a reorganization of the Company effected in November and December 2002, Upflow Holdings Limited has become a Shareholder. Details of the reorganization are set out in note 20 below.

2. Anthony Neoh is a non-executive Director and is therefore an Initial Management Shareholder. Anthony Neoh is the elder brother of Raymond Neoh and Christopher Paul Neoh.

On 31st March, 2000, GDC effected two share swaps with Anthony Neoh pursuant to which GDC allotted and issued new shares of GDC to Anthony Neoh in consideration of GDC's acquisitions of certain equity interests in GDC E-Com Limited and Forward Strategic from Anthony Neoh at an aggregate consideration of US\$4,500,000 (equivalent to HK\$35,100,000).

Pursuant to a reorganization of the Company effected in November and December 2002, Anthony Neoh has become a Shareholder. Details of the reorganization are set out in note 20 below.

3. Chong Man Nang is a member of the senior management of the Company and is therefore an Initial Management Shareholder.

300,000 new shares of GDC were allotted and issued to Chong Man Nang at nil consideration as a sign-up bonus under the engagement agreement entered into between GDC and Chong Man Nang dated 17th June, 2000.

Pursuant to a reorganization of the Company effected in November and December 2002, Chong Man Nang has become a Shareholder. Details of the reorganization are set out in note 20 below.

4. Forward Strategic is a wholly-owned subsidiary of GDC, which is owned as to approximately 32.4% by Upflow Holdings Limited, which is in turn wholly owned by Raymond Neoh. For further details of the shareholding structure of GDC, please refer to the sub-section headed "Competing interest" in the section headed "Business" in this prospectus. On 8th January, 2001, GDC and Sudden Win Holdings Limited entered into an agreement pursuant to which GDC agreed to sell and Sudden Win Holdings Limited agreed to purchase, 31.605% equity interest in DCDC held in the name of Forward Strategic together with the benefit and obligations of an option to purchase from another shareholder of DCDC 5% of the entire issued shares of another company. In consideration for the sale of the 31.605% equity interest in DCDC and the assignment of the said option, Sudden Win Holdings Limited shall surrender 3,840,000 shares of GDC (representing approximately 15.8% of the then issued share capital of GDC). Immediately after completion of the agreement, Forward Strategic was interested in 3,840,000 shares of GDC (representing approximately 15.8% of the then issued share capital of GDC) surrendered by Sudden Win Holdings Limited and 21.395% interest in DCDC.

On 24th July, 2001, Forward Strategic transferred 200,000 shares of GDC (representing approximately 0.8% of the then issued share capital of GDC) to Future United Investments Limited, details of which are set out as note 13 below, at a cash consideration of US\$1,000,000.

On 2nd November, 2001, Forward Strategic transferred (i) 170,500 shares of GDC (representing approximately 0.7% of the then issued share capital of GDC) to Future United Investments Limited, details of which are set out as note 13 below, at a cash consideration of US\$250,000; and (ii) 341,000 shares of GDC (representing approximately 1.4% of the then issued share capital of GDC) to Bright Oceans Corporation (HK) Limited, details of which are set out in note 5 below, at a cash consideration of US\$500,000.

Pursuant to a reorganization of the Company effected in November and December 2002, Forward Strategic became a Shareholder. Details of the reorganization are set out in note 20 below.

SUMMARY

On 20th March, 2003, the shareholders of Forward Strategic, have by written resolution, adopted a share option scheme (“Scheme”) also dated 20th March, 2003, wherein its board is entitled to grant options (“Options”) to grantees such that they can purchase Shares from Forward Strategic pursuant to the terms of the Scheme. The grant of such Options is to remunerate the grantees for their contributions made to the Group. Salient terms are as follows:

- (a) the scheme period during which options can be granted by the board of Forward Strategic under the Scheme is from 20th March, 2003 to the Latest Practicable Date. As such, no further Options can be offered or granted after the Latest Practicable Date;
- (b) the exercise price is the amount of HK\$1.00 which is payable to Forward Strategic upon the exercise of any Options (whether in whole or in part);
- (c) the total number of Shares which can be purchased by the grantees from Forward Strategic upon their exercise of their Options is 3,697,331 Shares, which are existing and issued Shares which represented the entire shareholding interest held by Forward Strategic in the Company as at 20th March, 2003, which also represented approximately 9.2% of the issued share capital of the Company as at the Latest Practicable Date. The aforesaid 3,697,331 Shares shall represent 61,015,197 Shares and 7.8% of Shares (held immediately after the new Issue and the Capitalization Issue before the exercise of the Sotas Option);
- (d) the grantees eligible for the Options include any full-time/part-time employees, directors and consultants of the Group;
- (e) subject to the option period of each Option being not more than ten years from the date of grant of the relevant Option, the board of Forward Strategic may in the letters containing the offers of Options impose restrictions on the exercise of the Options so granted;
- (f) as at 20th March, 2003, Options to purchase from Forward Strategic an aggregate 61,015,197 Shares (on the basis that the Capitalization Issue had taken place) have been granted by Forward Strategic;
- (g) as at the Latest Practicable Date, all the grantees to the Scheme (as shall be disclosed hereunder), but save for David Kirschner, with the aggregate number of Options of 59,626,594 Shares, have accepted the offer of their respective Options;
- (h) the Scheme provides that in the event of alteration in the capital structure of the Company prior to the Listing Date or in the event of any alteration in the capital structure by way of consolidation, sub-division or reduction of the share capital of the Company after the Listing Date, whilst any option remains exercisable, except for the issue of Shares as consideration in a transaction, corresponding alterations shall be made to give the grantees the same proportion of equity capital in the Company as to which they were personally entitled, and as the Capitalization Issue was approved by the Shareholders’ resolutions passed at the Company’s special general meeting held on 18th July, 2003, the Options granted by Forward Strategic as at the Latest Practicable Date were correspondingly altered/adjusted to become Options to purchase an aggregate of 61,015,197 Shares and which options were granted to the following persons in such number as set opposite their names below:

Name of grantee	Title/Position held at the Company and/or GDC and/or their respective subsidiaries	Number of Shares subject to the Options (Note)	Exercisable from	Approximate percentage of issued Shares (Note)
Directors				
Anthony Neoh	Chairman and a non-executive Director	32,201,692	the date of acceptance of the relevant options to the Latest Practicable Date and from 1 year after the Listing Date to 19th March, 2013	4.12%

SUMMARY

Name of grantee	Title/Position held at the Company and/or GDC and/or their respective subsidiaries	Number of Shares subject to the Options <i>(Note)</i>	Exercisable from	Approximate percentage of issued Shares <i>(Note)</i>
Raymond Neoh	Chief executive officer and an executive Director	4,818,450	the later of (i) 3 years from his employment with the Group and/or the GDC Group; or (ii) 1 year from the Listing Date to 19th March, 2013	0.62%
Richard Yingneng Yin	Non-executive Director	5,387,778	the date of acceptance of the relevant options to the Latest Practicable Date and from 1 year after the Listing Date to 19th March, 2013	0.69%
Senior Management of the Group				
Chong Man Nang	Chief technology officer	8,331,616	the later of (i) 3 years from his employment with the Group and/or the GDC Group; or (ii) 1 year from the Listing Date to 19th March, 2013	1.07%
Mak Yau Kee, Adrian	Chief financial officer	2,221,764	the later of (i) 3 years from his employment with the Group and/or the GDC Group; or (ii) 1 year from the Listing Date to 19th March, 2013	0.28%
Mak Lai Yu, Amelia	Chief administration officer/legal adviser	2,221,764	the later of (i) 3 years from her employment with the Group and/or the GDC Group; or (ii) 1 year from the Listing Date to 19th March, 2013	0.28%
Benjamin Ng	General manager of GDC Technology Pte. Limited	833,162	the later of (i) 3 years from his employment with the Group and/or the GDC Group; or (ii) 1 year from the Listing Date to 19th March, 2013	0.11%
Consultant of the Company				
David Kirschner	Executive producer of <i>Thru the Moebius Strip</i> and a consultant of the Company	1,388,603	1 year from the Listing Date to 19th March, 2013	0.18%

SUMMARY

Name of grantee	Title/Position held at the Company and/or GDC and/or their respective subsidiaries	Number of Shares subject to the Options (Note)	Exercisable from	Approximate percentage of issued Shares (Note)
Employee of the Group				
Ujval Lodha	Senior research and development engineer	833,162	the later of (i) 3 years from his employment with the Group and/or the GDC Group; or (ii) 1 year from the Listing Date to 19th March, 2013	0.11%
Parimal Aswani	Senior research and development engineer	833,162	the later of (i) 3 years from his employment with the Group and/or the GDC Group; or (ii) 1 year from the Listing Date to 19th March, 2013	0.11%
Ong Kiem Ching	Senior development engineer	833,162	the later of (i) 3 years from his employment with the Group and/or the GDC Group; or (ii) 1 year from the Listing Date to 19th March, 2013	0.11%
Thanakorn Kittichareernkul	Research and development engineer	555,441	the later of (i) 3 years from his employment with the Group and/or the GDC Group; or (ii) 1 year from the Listing Date to 19th March, 2013	0.07%
Pranay Kumar	Research and development engineer	555,441	the later of (i) 3 years from his employment with the Group and/or the GDC Group; or (ii) 1 year from the Listing Date to 19th March, 2013	0.07%
Total		61,015,197		7.82%

Note: These figures are calculated on the basis of 780,000,000 Shares in issue immediately after the New Issue and Capitalization Issue and take no account of the issue of Shares pursuant to any options which may be granted under the Share Option Scheme or the Sotas Option.

Since adoption of the Scheme and immediately before the Latest Practicable Date, no Options granted under the Scheme were exercised. Exercise of any of these outstanding Options will not have a dilution/consolidation effect on the shareholdings of the Shareholders at the time of such exercise of Options as well as on the earnings per Share for the relevant financial year of the Group given that the Shares subject to the Options were existing Shares outstanding and held by Forward Strategic, as at the Latest Practicable Date.

- Bright Oceans Corporation (HK) Limited is ultimately and beneficially owned as to 50% by David Deng Wei, as to 40% by Huang Yi and as to 10% by Zhang Dong Sheng. Huang Yi and Zhang Dong Sheng have no involvement in the management of the Company and save for their indirect interests in the Company, are independent third parties not connected with any of the directors, chief executive, substantial shareholders or initial management shareholders of the Company or an associate of any of them for the purpose of the GEM Listing Rules. David Deng Wei is a non-executive Director. Accordingly, Bright Oceans Corporation (HK) Limited, David Deng Wei, Huang Yi and Zhang Dong Sheng are Initial Management Shareholders.

SUMMARY

In April 2001, Bright Oceans Corporation (HK) Limited entered into an agreement with GDC pursuant to which (i) Bright Oceans Corporation (HK) Limited agreed to subscribe for 400,000 new shares of GDC at a cash consideration of US\$2,000,000 (equivalent to HK\$15,600,000); and (ii) GDC agreed to grant an option to Bright Oceans Corporation (HK) Limited to acquire 200,000 shares of GDC at a price of US\$2.5 per share of GDC during the period of one year commencing from 25th November, 2001.

In August 2002, the board of directors of GDC decided that the number of shares of GDC taken up by Bright Oceans Corporation (HK) Limited and the number of shares of GDC subject to the option should be adjusted based on a valuation of GDC at US\$100 million. As such, the board of directors of GDC decided that 494,000 shares of GDC should have been issued to Bright Oceans Corporation (HK) Limited and the number of shares of GDC subject to the option should be increased to 247,000. The option was exercised in full in the same month. The additional 94,000 shares of GDC and the 247,000 shares of GDC subject to the option were all transferred from the treasury shares of GDC registered in the name of Forward Strategic on 2nd November, 2001. Therefore, the subscription price was US\$4.05 per share and the valuation of GDC was US\$100 million.

Pursuant to a reorganization of the Company effected in November and December 2002, Bright Oceans Corporation (HK) Limited has become a Shareholder. Details of the reorganization are set out in note 20 below.

6. Richard Yingneng Yin is appointed as a non-executive Director and is therefore an Initial Management Shareholder.

On 31st March, 2000, GDC effected a share swap with Richard Yingneng Yin pursuant to which GDC allotted and issued new shares of GDC to Richard Yingneng Yin in consideration of GDC's acquisition from Richard Yingneng Yin of certain equity interest in GDC E-Com Limited at a consideration of US\$300,000 (equivalent to HK\$2,340,000).

Pursuant to a reorganization of the Company effected in November and December 2002, Richard Yingneng Yin has become a Shareholder. Details of the reorganization are set out in note 20 below.

7. Sotas Limited is an investment holding company and a wholly-owned subsidiary of Morningside CyberVentures Holdings Limited. Morningside CyberVentures Holdings Limited is wholly-owned by Verrall Limited in its capacity as the trustee of a family trust established by Madam Chan Tan Ching Fen for the benefit of certain members of her family and other charitable objects. None of the discretionary objects of the family trust are Directors. Sotas Limited had a board representation (Mr. Chang Ka Ki George) in GDC between August 2000 and November 2002. Sotas Limited does not have any management function in the Group and has no intention to be involved in the management of the Group in the near future. Sotas Limited, Morningside CyberVentures Holdings Limited and Verrall Limited have agreed that they shall be subject to the same restriction on disposal of shares which is imposed by the GEM Listing Rules on Initial Management Shareholders.

Sotas Limited and GDC entered into a subscription agreement dated 2nd April, 2000 pursuant to which Sotas Limited agreed to subscribe for 3,000,000 new shares of GDC for a cash consideration of US\$5,000,000 (equivalent to HK\$39,000,000). The subscription was completed in August 2000.

On 19th November, 2002, Sotas Limited disposed of 1,000,000 shares in GDC for a cash consideration of US\$1,670,000 (equivalent to HK\$13,026,000) to Marketeer Management Limited.

Pursuant to a reorganization of the Company effected in November and December 2002, Sotas Limited has become a Shareholder. Details of the reorganization are set out in note 20 below.

Pursuant to a deed of novation dated 28th November, 2002, made between GDC Holdings Limited (a wholly-owned subsidiary of the Company), GDC and Sotas Limited, GDC transferred the loans together with outstanding interest which it owed to Sotas Limited in an aggregate amount of HK\$7,859,616 to GDC Holdings Limited by way of novation. As the deed further provided for GDC and GDC Holdings Limited to undertake to, prior to the Listing Date, issue to Sotas Limited and/or any of its designates, share options to subscribe for new Shares in replacement of certain options previously issued by GDC to Sotas Limited, the Company has on 5th June, 2003 granted to Sotas Limited the Sotas Option.

The Sotas Option entitles the holder thereof to purchase 504,870 Shares (representing 8,331,615 new Shares and 1.1% of total issued Shares immediately after the New Issue and the Capitalization Issue but before the exercise of the Sotas Option), with an option period of 36 months commencing from the Listing Date and is exercisable upon 10 days prior written notice.

The exercise of the Sotas Option is subject to the GEM Listing Committee granting listing of and permission to deal in the Shares which may fall to be issued upon the exercise of the Sotas Option.

SUMMARY

The Shares issued under the Sotas Option are subject to a moratorium on transfer for 12 months from the Listing Date. Verrall Limited will also undertake to the Company and the Stock Exchange that, during the period of 12 months from the Listing Date, it will not change the discretionary objects of the trust upon which it currently holds the shares in Morningside CyberVentures Holdings Limited. Verrall Limited has further undertaken to the Company, the Stock Exchange, the Sponsor and the Lead Manager that it will not dispose of (or enter into any agreements to dispose of) any of its shares in Morningside CyberVentures Holdings Limited during the period of 12 months from the Listing Date. The undertakings given by Verrall Limited as trustee of the trust will be binding upon its successors as trustees of the trust. The cost per Share under the Sotas Option is approximately HK\$0.56 representing approximately 44% discount to the Issue Price.

8. Perfect Brilliant Limited is a company wholly and beneficially owned by William Ka Chung Lam. William Ka Chung Lam was a director of GDC between January 2000 and January 2002. Further, Perfect Brilliant Limited and William Ka Chung Lam do not have nor intend to have any management role in any member of the Group. As William Ka Chung Lam was a director of GDC, Perfect Brilliant Limited and William Ka Chung Lam are regarded as Initial Management Shareholders.

On 31st March, 2000, GDC effected two share swaps with William Ka Chung Lam pursuant to which GDC allotted and issued 1,800,000 new shares of GDC to William Ka Chung Lam in consideration of GDC's acquisitions from William Ka Chung Lam of certain equity interests in GDC Entertainment Limited and Forward Strategic at an aggregate consideration of US\$1,800,000 (equivalent to HK\$14,040,000).

On 21st August, 2002, William Ka Chung Lam transferred 1,300,000 shares in GDC to Perfect Brilliant Limited at nil consideration.

On 25th October, 2002, Perfect Brilliant Limited disposed of (i) 100,000 shares in GDC to SRI Group Limited for a cash consideration of HK\$833,330; and (ii) 150,000 shares in GDC to Kanwin Corporation for a cash consideration of HK\$1,250,000. On the same date, William Ka Chung Lam disposed of 500,000 shares in GDC to SRI Group Limited for a cash consideration of HK\$4,166,670.

Pursuant to a reorganization of the Company effected in November and December 2002, Perfect Brilliant Limited has become a Shareholder. Details of the reorganization are set out in note 20 below. Perfect Brilliant Limited invested in the Company because it was optimistic about the potential growth and future of the digital content industry and the positioning of the Company in this industry. William Ka Chung Lam became acquainted with the Group through his acquaintance with the family of Anthony Neoh and Raymond Neoh.

9. Cyber Prime Developments Limited is wholly owned by Billion On Development Limited, which is in turn wholly owned by Festival Developments Limited, which is in turn wholly owned by Kingsway China Holdings Limited, which is in turn wholly owned by SW Kingsway.

On 31st March, 2000, GDC effected a share swap with Kingsway Technology Investments Limited pursuant to which GDC allotted and issued new shares of GDC to Kingsway Technology Investments Limited in consideration of GDC's acquisition from Kingsway Technology Investments Limited for certain equity interest in GDC Entertainment Limited at a consideration of US\$1,500,000 (equivalent to HK\$11,700,000). Kingsway Technology Investments Limited is a wholly-owned subsidiary of Kingsway International Holdings Limited, the shares of which are listed on The Toronto Stock Exchange Inc.. Kingsway International Holdings Limited is the holding company of SW Kingsway.

On 21st August, 2002, Kingsway Technology Investments Limited transferred its then entire equity interest in GDC to Cyber Prime Developments Limited for a consideration of HK\$11,700.

Pursuant to a reorganization of the Company effected in November and December 2002, Cyber Prime Developments Limited has become a Shareholder. Details of the reorganization are set out in note 20 below.

Kingsway Capital, a wholly owned subsidiary of SW Kingsway, is one of the joint financial advisers to the Company in respect of the New Issue.

10. Financial Outreach Limited is an investment holding company and is wholly and beneficially owned by Daniel Gia Tien Lam, who is a private investor. Save that Daniel Gia Tien Lam is the younger brother of William Ka Chung Lam (who is the beneficial owner of Perfect Brilliant Limited), Daniel Gia Tien Lam is independent of, and not connected with, any of

SUMMARY

the directors, chief executive, substantial shareholders or initial management shareholders of the Company or an associate of any of them for the purpose of the GEM Listing Rules and his investment in the Group was not funded or backed, directly or indirectly, by all or any of the said parties. Further, Daniel Gia Tien Lam does not have nor intend to have any management role in any member of the Group. Financial Outreach Limited has provided funding proof that its interest in GDC was settled by its own source of funding.

On 31st March, 2000, GDC effected five share swaps with Financial Outreach Limited pursuant to which GDC allotted and issued new shares of GDC to Financial Outreach Limited in consideration of GDC's acquisitions from Financial Outreach Limited of the entire equity interests in GDC Technology Limited and GDC China Limited and certain equity interests in GDC E-Com Limited, GDC Consultants Limited and GDC Vision Scape Limited for an aggregate consideration of US\$600,000 (equivalent to HK\$4,680,000).

Pursuant to a reorganization of the Company effected in November and December 2002, Financial Outreach Limited has become a Shareholder. Details of the reorganization are set out in note 20 below. Financial Outreach Limited invested in the Company because it was optimistic about the potential growth and future of the digital content industry and the positioning of the Company in this industry. Daniel Gia Tien Lam became acquainted with the Group through referral from his brother William Ka Chung Lam.

11. Save that Christopher Paul Neoh is the younger brother of Anthony Neoh and the elder brother of Raymond Neoh, Christopher Paul Neoh is independent of, and not connected with, any of the directors, chief executive, substantial shareholders or initial management shareholders of the Company or an associate of any of them for the purpose of the GEM Listing Rules and his investment in the Group was not funded or backed, directly or indirectly, by all or any of the said parties. Further, Christopher Paul Neoh does not have nor intend to have any management role in any member of the Group. Christopher Paul Neoh has provided funding proof that his interest in GDC was settled by his personal source of funding.

On 31st March, 2000, GDC effected a share swap with Christopher Paul Neoh pursuant to which GDC allotted and issued new shares of GDC to Christopher Paul Neoh in consideration of GDC's acquisition from Christopher Paul Neoh of certain equity interest in Forward Strategic at a consideration of US\$375,000 (equivalent to HK\$2,925,000).

Pursuant to a reorganization of the Company effected in November and December 2002, Christopher Paul Neoh has become a Shareholder. Details of the reorganization are set out in note 20 below. Christopher Paul Neoh invested in the Company because he was optimistic about the potential growth and future of the digital content industry and the positioning of the Company in this industry.

12. Ajitkumar Chandubhai Patel is a private investor and has provided a statutory declaration that (i) he is independent of, and not connected with, any of the directors, chief executive, substantial shareholders or initial management shareholders of the Company or an associate of any of them for the purpose of the GEM Listing Rules; (ii) his investment in the Group was not funded or backed, directly or indirectly, by all or any of the said parties; and (iii) he is the sole beneficial owner of the Shares held indirectly by him. Ajitkumar Chandubhai Patel does not have nor intend to have any management role in any member of the Group. Ajitkumar Chandubhai Patel has provided funding proof that his interest in GDC was settled by his personal source of funding.

On 31st March, 2000, GDC effected a share swap with Ajitkumar Chandubhai Patel pursuant to which GDC allotted and issued new shares of GDC to Ajitkumar Chandubhai Patel in consideration of GDC's acquisition from Ajitkumar Chandubhai Patel of certain equity interest in Forward Strategic at a consideration of US\$375,000 (equivalent to HK\$2,925,000).

Pursuant to a reorganization of the Company effected in November and December 2002, Ajitkumar Chandubhai Patel has become a Shareholder. Details of the reorganization are set out in note 20 below. Ajitkumar Chandubhai Patel invested in the Company because he was optimistic about the potential growth and future of the digital content industry and the positioning of the Company in this industry. Ajitkuma Chandubhai Patel became acquainted with the Group through his acquaintance with Christopher Paul Neoh.

13. Future United Investments Limited is an investment holding company and is wholly and beneficially owned by Yeh Chiang Sheng, who is a private investor and has provided a statutory declaration confirming that (i) he is independent of, and not connected with, any of the directors, chief executive, substantial shareholders or initial management shareholders of the Company or an associate of any of them for the purpose of the GEM Listing Rules; (ii) his investment in the Group was not funded or backed, directly or indirectly, by all or any of the said parties; and (iii) he is the sole beneficial owner

SUMMARY

of the Shares held indirectly by him. Further, Yeh Chiang Sheng does not have nor intend to have any management role in any member of the Group. Future United Investments Limited has provided funding proof that its interest in GDC was settled by its own source of funding.

In June 2001, Future United Investments Limited agreed to acquire 200,000 shares of GDC at a cash consideration of US\$1,000,000 (equivalent to HK\$7,800,000) and GDC agreed to grant an option to Future United Investments Limited to acquire 100,000 shares of GDC at a price of US\$2.5 per share of GDC. 200,000 shares of GDC were subsequently transferred from Forward Strategic to Future United Investments Limited on 24th July, 2001.

In August 2002, the board of directors of GDC decided that the number of shares of GDC taken up by Future United Investments Limited and the number of shares of GDC subject to the option should be adjusted based on a valuation of GDC at US\$100 million. As such, the board of directors of GDC decided that 247,000 shares of GDC should have been issued to Future United Investments Limited and the number of shares of GDC subject to the option should be increased to 123,500. The option was exercised in full in September 2002. The additional 47,000 shares of GDC and the 123,500 shares of GDC subject to the option were all transferred from the treasury shares of GDC registered in the name of Forward Strategic on 2nd November, 2001. Therefore, the subscription price was US\$4.05 per share and the valuation of GDC was US\$100 million.

Pursuant to a reorganization of the Company effected in November and December 2002, Future United Investments Limited has become a Shareholder. Details of the reorganization are set out in note 20 below. Future United Investments Limited invested in the Company because it was optimistic about the potential growth and future of the digital content industry and the positioning of the Company in this industry. Yeh Chiang Sheng became acquainted with the Group through his acquaintance with Anthony Neoh.

14. SRI Group Limited is an investment holding company and a wholly-owned subsidiary of Heng Fung Capital Company Limited, which is wholly owned by Heng Fung Holdings Limited, the shares of which are listed on the Main Board. The principal business activities of Heng Fung Holdings Limited are credit card operations, securities trading and investments, treasury investment, retailing of fashion apparel and accessories, property investment and medical health care. Heng Fung Holdings Limited is independent of, and not connected with, any of the directors, chief executive, substantial shareholders or initial management shareholders of the Company or an associate of any of them for the purpose of the GEM Listing Rules and its investment in the Group was not funded or backed, directly or indirectly, by all or any of the said parties. Further, Heng Fung Holdings Limited does not have nor intend to have any management role in any member of the Group.

On 25th October, 2002, SRI Group Limited acquired 500,000 shares and 100,000 shares in GDC from William Ka Chung Lam and Perfect Brilliant Limited, a company wholly and beneficially owned by William Ka Chung Lam, respectively, for an aggregate cash consideration of HK\$5,000,000.

Pursuant to a reorganization of the Company effected in November and December 2002, SRI Group Limited has become a Shareholder. Details of the reorganization are set out in note 20 below. SRI Group Limited invested in the Company because it was optimistic about the potential growth and future of the digital content industry and the positioning of the Company in this industry. Heng Fung Holdings Limited became acquainted with the Group through referral from William Ka Chung Lam.

15. Kanwin Corporation is an investment holding company and ultimately and beneficially owned by Victor Yang. Victor Yang is a private investor and has provided a statutory declaration confirming that (i) he is independent of, and not connected with, any of the directors, chief executive, substantial shareholders or initial management shareholder of the Company or an associate of any of them for the purpose of the GEM Listing Rules; (ii) his investment in the Group was not funded or backed, directly or indirectly, by all or any of the said parties; and (iii) he is the sole beneficial owner of the Shares held indirectly by him. Further, Victor Yang does not have nor intend to have any management role in any member of the Group. Kanwin Corporation has provided funding proof that its interest in GDC was settled by its own source of funding.

On 25th October, 2002, Kanwin Corporation acquired 150,000 shares in GDC from Perfect Brilliant Limited for a cash consideration of HK\$1,250,000.

Pursuant to a reorganization of the Company effected in November and December 2002, Kanwin Corporation has become a Shareholder. Details of the reorganization are set out in note 20 below. Kanwin Corporation invested in the Company because it was optimistic about the potential growth and future of the digital content industry and the positioning of the Company in this industry. Victor Yang became acquainted with the Group through referral from William Ka Chung Lam.

16. Marketeer Management Limited is an investment holding company and ultimately and beneficially owned by Elizabeth Lee Ka Ying. Elizabeth Lee Ka Ying is a private investor and has provided a statutory declaration confirming that (i) she is independent of, and not connected with, any of the directors, chief executive, substantial shareholders or initial management shareholders of the Company or an associate of any of them for the purpose of the GEM Listing Rules; (ii) her investment in the Group was not funded or backed, directly or indirectly, by all or any of the said parties; and (iii) she is the sole beneficial owner of the Shares held indirectly by her. Further, Elizabeth Lee Ka Ying does not have nor intend to have any management role in any member of the Group. Marketeer Management Limited has provided funding proof that its interest in GDC was settled by its own source of funding.

On 19th November, 2002, Marketeer Management Limited acquired 1,000,000 shares in GDC from Sotas Limited for a cash consideration of US\$1,670,000 (equivalent to HK\$13,026,000).

Pursuant to a reorganization of the Company effected in November and December 2002, Marketeer Management Limited has become a Shareholder. Details of the reorganization are set out in note 20 below. Marketeer Management Limited invested in the Company because it was optimistic about the potential growth and future of the digital content industry and the positioning of the Company in this industry. Elizabeth Lee Ka Ying became acquainted with the Group through referral from Sotas Limited.

17. Overseas Chinese Town is a wholly owned subsidiary of Overseas Chinese Town Holding Company (華僑城集團公司). Overseas Chinese Town Holding Company is wholly owned by State Assets Regulatory Commission of PRC* (中國國有資產監督管理委員會). Therefore, Overseas Chinese Town is a State-owned enterprise. Overseas Chinese Town was founded on 11th November, 2002. The principal business of Overseas Chinese Town is investment management and its principal business activities include businesses involved in paper packaging, household electronic appliances, hotel and tourism. Overseas Chinese Town is an independent third party not connected with, any of the directors, chief executive, substantial shareholders or initial management shareholders of the Company or an associate of any of them for the purpose of the GEM Listing Rules. Overseas Chinese Town invested in the Company because it was optimistic about the potential growth and future of the digital content industry and the positioning of the Company in this industry and for strategic reasons. Overseas Chinese Town Holding Company was established on 11th November, 1995.

Overseas Chinese Town, the Company and Upflow Holdings Limited (as guarantor) entered into a share subscription agreement dated 10th June, 2003, pursuant to which Overseas Chinese Town agreed to subscribe for 2,302,681 Shares which shall immediately after the New Issue and the Capitalization Issue but before the exercise of the Sotas Option represent 38,000,000 Share which is at least 4.87% of the total issued Shares at the aggregate subscription price of HK\$28,500,000. Overseas Chinese Town's aforesaid investment in the Company represents approximately 6.2% of its audited net asset value of HK\$462 million as at 31st December, 2002 and represents approximately 0.3% of the net asset value of Overseas Chinese Town Holding Company of approximately RMB10,000 million (approximately HK\$9,434 million). The subscription was completed on 26th June, 2003. Under the relevant share subscription agreement, if the Company fails to have the Shares listed on GEM by 30th November, 2003, Overseas Chinese will be entitled to exercise a buyback option pursuant to which the Company will be obliged to repurchase the said 2,302,681 new Shares subscribed by Overseas Chinese Town at HK\$28,500,000 (plus interest based on London Interbank Offer Rate over the relevant period).

18. CITIC International Assets Management Limited is a wholly owned subsidiary of CITIC International Financial Holdings Limited. The shares of CITIC International Financial Holdings Limited are listed on the Main Board. CITIC International Financial Holdings Limited (formerly known as CITIC Ka Wah Bank Limited) was established on 17th December, 1924. The principal business activities of CITIC International Assets Management Limited are investment holding and assets management and its portfolio comprises non-performing loans, performing liquid assets and other assets. The principal business of CITIC International Financial Holdings Limited include the provision of general banking and related financial services. CITIC International Financial Holdings Limited and CITIC International Assets Management Limited are independent third parties not connected with, any of the directors, chief executive, substantial shareholders or initial management shareholders of the Company or an associate of any of them for the purpose of the GEM Listing Rules. CITIC International Assets Management Limited invested in the Company because it was optimistic about the potential growth and future of the digital content industry and the positioning of the Company in this industry.

CITIC International Assets Management Limited and the Company entered into a share subscription agreement dated 12th June, 2003, pursuant to which CITIC International Assets Management Limited agreed to subscribe for 945,311 Shares which shall immediately after the New Issue and Capitalization Issue but before the exercise of the Sotas Option represent 15,600,000 Shares which is at least 2.00% of the total issued Shares at the aggregate subscription price of HK\$11,700,000. The subscription was completed on 25th June, 2003. CITIC International Assets Management Limited currently manages a portfolio worth approximately HK\$1.2 billion and its investment in the Company represents approximately 1.0% of the portfolio it manages. Further, such investment represents approximately 0.17% of the net asset value of CITIC International Financial Holdings Limited as at 31st December, 2002 of approximately HK\$7,426 million.

* For identification purposes only

SUMMARY

19. Save for Overseas Chinese Town and CITIC International Assets Management Limited, these dates represent the existing Shareholders' respective date of first entry as shareholders of GDC. Pursuant to a reorganization effected in November and December 2002 by the Company detailed in note 20 below, all the then shareholders of GDC become the Shareholders. As for Overseas Chinese Town and CITIC International Assets Management Limited, these dates represent their respective date of first entry as Shareholders.
20. In preparation for the New Issue, the Company has effected a reorganization pursuant to which, among other things, GDC Entertainment Limited, GDC China Limited and GDC Technology Limited have become wholly-owned subsidiaries of the Company and the then existing shareholders of GDC have become the Shareholders. The reorganization hinged on 2 different share swap arrangements, a capital reduction, a distribution in specie and another share swap arrangement, details of which are set out below:

Share Swap 1

On 28th November, 2002, GDC sold all its shares and inter-company debts in GDC Technology Limited, GDC Entertainment Limited and GDC China Limited to GDC Holdings Limited (a company incorporated in the BVI by GDC) ("Share Swap 1"). The consideration for the Share Swap 1 consisted of (i) GDC Holdings Limited's allotment and issuance of 521,418,075 of its shares of US\$0.01 each to GDC and (ii) GDC Holdings Limited's assumption of certain loans and a convertible loan which were owed by GDC to several lenders, by way of novation.

Share Swap 2

On 28th November, 2002, GDC sold its entire 100% shareholding in GDC Holdings Limited to GDC (BVI) Limited (another company incorporated in the BVI by GDC) ("Share Swap 2") in consideration of GDC (BVI) Limited's allotment and issuance of 521,418,075 of its shares of US\$0.01 each to GDC.

Capital reduction

On 28th November, 2002, to facilitate the distribution in specie by GDC of its entire shareholding in GDC (BVI) Limited described below, GDC reduced its share capital from US\$24,700,000 divided into 24,700,000 shares of US\$1.00 each to US\$100,000 divided into 100,000 shares of US\$1.00 each, by reducing and canceling its paid-up capital.

Distribution in specie

On 28th November, 2002, GDC distributed to its existing shareholders, its entire shareholding in GDC (BVI) Limited by way of distribution in specie pro rata. Immediately after the said distribution in specie, the shareholding of GDC (BVI) Limited was as follows:

Name of shareholders	Number of distributed shares	Approximate percentage of shareholding
Upflow Holdings Limited	162,758,436	31.21%
Anthony Neoh	94,995,196	18.22%
Chong Man Nang	6,333,013	1.21%
Forward Strategic	66,042,771	12.67%
Bright Oceans Corporation (HK) Limited	15,642,542	3.00%
Cyber Prime Developments Limited	31,665,065	6.07%
Sotas Limited	42,220,087	8.10%
Perfect Brilliant Limited	22,165,546	4.25%
Christopher Paul Neoh	7,916,266	1.52%
Richard Yingneng Yin	6,333,013	1.21%
Financial Outreach Limited	12,666,026	2.43%
Ajitkumar Chandubhai Patel	7,916,266	1.52%
Future United Investments Limited	7,821,271	1.50%
SRI Group Limited	12,666,026	2.43%
Kanwin Corporation	3,166,507	0.61%
Marketeer Management Limited	21,110,044	4.05%
Total	521,418,076*	100.00%

* this figure encompasses rounding up discrepancies of 1 Share.

SUMMARY

Share Swap 3

After GDC (BVI) Limited repurchased 19,664,005 shares of GDC (BVI) Limited from Forward Strategic at par for a consideration of US\$196,640.05 for subsequent cancellation on 31st December, 2002, the existing shareholders of GDC (BVI) Limited (as set out above), on 31st December, 2002, sold their entire 100% shareholding in GDC (BVI) Limited to the Company (“Share Swap 3”) in return for the Company’s allotment and issuance of an aggregate of 30,000,000 Shares and to credit as fully paid at par the 10,000,000 Shares issued nil-paid to Upflow Holdings Limited on 7th November, 2002 (as per the following manner according to their then shareholding interests in GDC (BVI) Limited):

Name of allottee	Number of consideration Shares	Approximate percentage of shareholding
Upflow Holdings Limited (<i>Note</i>)	12,975,156	32.44%
Anthony Neoh	7,573,048	18.94%
Chong Man Nang	504,870	1.26%
Forward Strategic	3,697,330	9.24%
Bright Oceans Corporation (HK) Limited	1,247,028	3.12%
Cyber Prime Developments Limited	2,524,350	6.31%
Sotas Limited	3,365,800	8.41%
Perfect Brilliant Limited	1,767,044	4.42%
Christopher Paul Neoh	631,088	1.58%
Richard Yingneng Yin	504,870	1.26%
Financial Outreach Limited	1,009,740	2.52%
Ajitkumar Chandubhai Patel	631,088	1.58%
Future United Investments Limited	623,514	1.56%
SRI Group Limited	1,009,740	2.52%
Kanwin Corporation	252,434	0.63%
Marketeer Management Limited	1,682,900	4.21%
	<u>40,000,000</u>	<u>100.00%</u>

Note: The 12,975,156 Shares held by Upflow Holdings Limited already included the 10,000,000 Shares issued nil paid to it on 7th November, 2002.

After implementation of the above reorganization steps, all the then shareholders of GDC became Shareholders and the ultimate beneficial interest of each of the Shareholders in the Group before and after the completion of the above reorganization steps were the same.

- Each of the Initial Management Shareholders has undertaken to the Stock Exchange, the Company, the Sponsor, the Lead Manager and the Underwriters that, save as permitted under the GEM Listing Rules and subject to the provisions of the Underwriting Agreement (where applicable), he/it shall not, and shall procure that none of his/its associates, nominees or trustees holding in trust for him/it shall, during a period of 12 months immediately following the Listing Date; (a) sell, transfer or otherwise dispose of or create any rights (including but not limited to the creation of any options, rights or interests or entering into any swap agreements or other arrangements that transfers or otherwise disposes of, in whole or in part, any of the economic consequence of ownership of Shares) in respect of any of the Shares beneficially owned by him/it or his/its associates, nominees or trustees after the completion of the New Issue and the Capitalization Issue; or (b) sell, transfer or otherwise dispose of any interest (or enter into an agreement to do any of the foregoing) in any shares in any company owned by any of them which is directly, or through another company indirectly, the beneficial owner of any of the Shares.

Each of the Initial Management Shareholders has further undertaken to the Company, the Sponsor, the Lead Manager, the Underwriters and the Stock Exchange that during the period of 12 months immediately following the Listing Date; (a) if he/it pledges or charges any interests in the relevant securities (as defined in the GEM Listing Rules), he/it shall give prior written notice to the Company and the Lead Manager of such pledges or charges together with the number of securities so pledged or charged, the purpose for which the pledge or charge is made and such other relevant details as the Company or Lead Manager may reasonably require; (b) when he/it receives indications, either oral or written, from the pledgee or chargee that any relevant securities (as defined in the GEM Listing Rules) pledged or charged by him or it will

be or has been disposed of, he/it will immediately inform the Company and the Lead Manager in writing of such indications of disposal; and (c) that he/it will place his/its Shares in escrow, with an escrow agent on terms acceptable to the Stock Exchange.

22. Each of the Significant Shareholders has undertaken to the Stock Exchange, the Company, the Sponsor, the Lead Manager and the Underwriters that, save as permitted under the GEM Listing Rules and subject to the provisions of the Underwriting Agreement, it shall not, and shall procure that none of its associates, nominees or trustees holding in trust for it shall, during a period of 12 months immediately following the Listing Date; (a) sell, transfer or otherwise dispose of or create any rights (including but not limited to the creation of any options, rights or interests or entering into any swap agreements or other arrangements that transfers or otherwise disposes of, in whole or in part, any of the economic consequence of ownership of Shares) in respect of any of the Shares beneficially owned by it or its associates, nominees or trustees after the completion of the New Issue and the Capitalization Issue; or (b) sell, transfer or otherwise dispose of any interest (or enter into an agreement to do any of the foregoing) in any shares in any company owned by any of them which is directly, or through another company indirectly, the beneficial owner of any of the Shares.

Each of the Significant Shareholders has further undertaken to the Company, the Sponsor, the Lead Manager, the Underwriters and the Stock Exchange that during the period of 12 months immediately following the Listing Date; (a) if it pledges or charges any interests in the relevant securities (as defined in the GEM Listing Rules), it shall give prior written notice to the Company and the Lead Manager of such pledges or charges together with the number of securities so pledged or charged, the purpose for which the pledge or charge is made and such other relevant details as the Company or Lead Manager may reasonably require; (b) when it receives indications, either oral or written, from the pledgee or chargee that any relevant securities (as defined in the GEM Listing Rules) pledged or charged by it will be or has been disposed of, it will immediately inform the Company and the Lead Manager in writing of such indications of disposal; and (c) that it will place its Shares in escrow, with an escrow agent on terms acceptable to the Stock Exchange.

23. Each of the Initial Management Shareholders and the Directors has confirmed that he/it has not entered into, and will not enter into, prior to the listing of Shares on GEM, any arrangements or agreements (other than those disclosed in this prospectus) in relation to the listing application of the Company on GEM, the Shares allotted and issued to the Shareholders or to be placed pursuant to the Placing, as well as the prices of the Shares.

Each of Financial Outreach Limited, Christopher Paul Neoh, SRI Group Limited, Kanwin Corporation, Marketeer Management Limited, Overseas Chinese Town and CITIC International Assets Management Limited has undertaken to the Stock Exchange, the Company, the Sponsor, the Lead Manager and the Underwriters that, save as permitted under the GEM Listing Rules and subject to the provisions of the Underwriting Agreement, he/it shall not, and shall procure that none of his/its associates, nominees or trustees holding in trust for him/it shall, during a period of 12 months immediately following the Listing Date; (a) sell, transfer or otherwise dispose of or create any rights (including but not limited to the creation of any options, rights or interests or entering into any swap agreements or other arrangements that transfers or otherwise disposes of, in whole or in part, any of the economic consequence of ownership of Shares) in respect of any of the Shares beneficially owned by him/it or his/its associates, nominees or trustees after the completion of the New Issue and the Capitalization Issue; or (b) sell, transfer or otherwise dispose of any interest (or enter into an agreement to do any of the foregoing) in any shares in any company owned by any of them which is directly, or through another company indirectly, the beneficial owner of any of the Shares.

In addition to the undertakings given by the Initial Management Shareholders and Significant Shareholders, each of Financial Outreach Limited, Christopher Paul Neoh, SRI Group Limited, Kanwin Corporation, Marketeer Management Limited, Overseas Chinese Town and CITIC International Assets Management Limited has undertaken to the Company, the Sponsor, the Lead Manager, the Underwriters and the Stock Exchange that during the period of 12 months immediately following the Listing Date he/it will place his/its Shares in escrow, with an escrow agent on terms acceptable to the Stock Exchange.

Each of Financial Outreach Limited, Christopher Paul Neoh, SRI Group Limited, Kanwin Corporation, Marketeer Management Limited, Overseas Chinese Town and CITIC International Assets Management Limited further confirm to the Company, the Sponsor, the Lead Manager and the Stock Exchange that, save as disclosed in this prospectus, he/it does not have any arrangement, agreement or transaction with the Company or any of its directors or the Initial Management Shareholders or any of their respective associates (as defined in the GEM Listing Rules).

RISK FACTORS

The Directors consider that there are certain risks involved in investing in the Company. They can be categorised into (i) risks relating to the Group; (ii) risks relating to the industry; (iii) risks relating to regulations, economics and politics; and (iv) risks relating to the New Issue, and they are summarized below. Further details of these risk factors are set out under the section headed “Risk factors” of this prospectus.

(i) Risks relating to the Group

- Uncertainty of public acceptance of the Group’s CG creation and production
- Future prospect of the Group is dependent on *Thru the Moebius Strip*
- Change in activity mix of the Group in the future
- Failure to complete self-financed and co-financed projects within budget
- Unproven concept of digital cinema
- Limited operating history and history of operating loss
- Limited free float of Shares in the market within one year from the Listing Date
- Reliance on financial assistance provided by certain Shareholders and their related parties
- Potential competition with Forward Strategic and DCDC
- Failure to protect the Group’s intellectual property rights and proprietary rights
- Risk of infringement claims by third parties
- Reliance on the ticketing system of customers
- Risks associated with expansion into overseas markets
- Legal and other regulations
- Risks associated with inability to obtain third party technology licenses
- Inability to successfully expand through acquisitions or alliances
- Failure of industry partners to provide adequate support
- Failure to successfully implement the Group’s business plans and strategies and adequate system of controls to manage future growth
- Failure in future fund raising
- Enhancement of operational, financial and management information system
- Reliance on key executives and personnel

- Reliance on high technology and computer systems for timely and successful development of feature films and other CG products
- Reliance on technological advancement to be successful
- Policy of re-deploying retained profits in financing capital commitments

(ii) Risks relating to the industry

- Competition in the CG market
- Earnings in the entertainment industry are highly volatile

(iii) Risks relating to regulations, economics and politics

- Economic and legal risks associated with conducting business in the PRC
- Difficulties in expanding the Group's business in other regions due to regulatory, political and economic uncertainties
- Volatility of worldwide economic climate
- Currency exchange rate

(iv) Risks relating to the New Issue

- Potential dilution effect of the Sotas Option
- Dilution of Shareholders' interest as a result of additional equity fund raising

RESPECTIVE ROLES, RESPONSIBILITIES AND SCOPE OF WORK DONE PERFORMED BY THE SPONSOR, KINGSWAY CAPITAL AND CM-CCS

As the sponsor, Asia Investment Capital is responsible for, amongst other things,

- (a) advising on an appropriate corporate structure to be adopted by the Group from the point of view of the New Issue in conjunction with other professional advisers;
- (b) advising on the timetable, pricing and marketing arrangement in respect of the New Issue;
- (c) assisting the Company to prepare and draft the prospectus and all other documentation, and co-ordinate the work of the professional advisers involved in the listing exercise in conjunction with other professional advisers;
- (d) assisting the board of directors of the Company to determine the price, timing and terms on which, subject to market conditions, the New Issue is to be made to the public;
- (e) liaising with, and collating information from, the Stock Exchange and the SFC for matters relating to the New Issue;
- (f) advising on the requirements of the GEM Listing Rules in conjunction with other professional advisers;

- (g) co-ordinating the work of the professional firms involved in producing the related documentation in respect of the New Issue; and
- (h) assisting to form a syndicate of underwriters to underwrite the New Issue if the Sponsor considers appropriate.

As the financial adviser to the Company in relation the New Issue, CM-CCS is responsible for arranging of all matters related to pre-listing investment of the Group, assisting securities analysts to properly understand the Company, and reviewing and commenting on relevant documents relating to the New Issue, and advising the Company with regard to all matters incidental to the foregoing for a fee. Under the engagement letter between Kingsway Capital and the Company, the terms of responsibility of Kingsway Capital as financial adviser to the Company are the review and provision of comment on the prospectus and other documents relating to the listing of the Shares on GEM. The Sponsor has the absolute discretion to adopt and finalize the relevant documentation, particularly this prospectus and the Application Forms, in respect of the New Issue.

RELATIONSHIP BETWEEN THE GROUP AND SW KINGSWAY AND ITS ASSOCIATES

Shareholding in the Company

Immediately after completion of the New Issue and the Capitalization Issue but before the exercise of the Sotas Option, SW Kingsway, through Cyber Prime Developments Limited, will be interested in 41,658,077 Shares, representing approximately 5.4% of the issued share capital of the Company. Further, SW Kingsway is a Significant Shareholder.

Loans to the Group

Pursuant to a deed of novation dated 27th November, 2002 made between GDC Holdings Limited, GDC and Kingsway Finance, GDC agreed to transfer the loan together with outstanding interests which it owed to Kingsway Finance, in the amount of approximately HK\$1,723,162 (which consists of principal of HK\$1,700,000 and interest of HK\$23,162) to GDC Holdings Limited, by way of novation. This loan was due on 14th May, 2003 and the Group had negotiated with Kingsway Finance to extend this loan under the same terms as the relevant loan agreement. The said loan together with accrued interest is scheduled to be repaid before the Listing Date.

On 28th March, 2003, GDC Holdings Limited obtained a term loan of HK\$2,000,000 from Kingsway Finance via a loan facility letter. The term loan bears interest at the best lending rate as quoted by the Standard Chartered Bank, Hong Kong from time to time plus 3% per annum and is repayable on or before 25th June, 2003 or on or before the date on which the Shares are listed on GEM, whichever is earlier. Each of Upflow Holdings Limited and Anthony Neoh has pledged its/his entire shareholding in the Company in favour of Kingsway Finance as securities for the term loan. No security has been given by any member of the Group to Kingsway Finance for the grant of the term loan. The said loan principal of HK\$2,000,000 together with accrued interest of HK\$39,722 was repaid on 26th June, 2003.

The Directors confirm that the above credit facility and loans provided by Kingsway Finance to the Group in the aggregate amount of HK\$3,700,000 were applied towards the CG production of *Thru the Moebius Strip* and as working capital of the Group.

As at 31st May, 2003, the loans due from the Group to Kingsway Finance amounted to HK\$3,700,000. SW Kingsway has confirmed that the above loans were not funded directly or indirectly by any connected persons of the Company or an associate of any of them, other than themselves. The Directors confirm that the Group will not require further financial assistance from SW Kingsway and its associates.

Financial advisory services to the Group

Kingsway Capital, a wholly-owned subsidiary of SW Kingsway, has been engaged by the Company to act as a financial advisor of the Company's listing on GEM and its job responsibilities shall be the review and provision of comments on the prospectus and other documentation relevant to the said listing. In addition, Kingsway Capital had previously provided services to the Group as a co-sponsor of the listing of the Shares on GEM, the engagement of the services of which was terminated on 31st March, 2003.

Provider of mandatory provident fund ("MPF")

In December 2000, GDC entered into an agreement with Kingsway Fund Management Limited (formerly known as Polaris Asset Management Limited), a wholly-owned subsidiary of SW Kingsway, pursuant to which Kingsway Fund Management Limited agreed to become a MPF provider for GDC. On 13th June, 2003, the Company entered into an agreement with Kingsway Fund Management Limited (as supplemented by an agreement dated 24th June, 2003) pursuant to which the Company has agreed to appoint Kingsway Fund Management Limited as its MFP provider. For the provision of services by Kingsway Fund Management Limited as the sponsor of the MPF, Kingsway Fund Management Limited receives an annual management fee at the rate ranging from 0.4% to 0.9% on the net asset value of the funds managed. The Directors (including the independent non-executive Directors) confirm that the rate charged for the aforesaid annual management fee were similar to those offered by other MPF providers.

Sub-tenancy agreement

On 12th August, 2002, GDC Technology Pte Ltd., a wholly owned subsidiary of the Company, entered into a sub-tenancy agreement ("1st sub-tenancy") with Solutions Lab Pte Ltd., which is a fellow subsidiary of SW Kingsway engaged in the development and distribution of software. As lessor, Solutions Lab Pte Ltd. leased to GDC Technology Pte Ltd. for use by the Group as an office, premises located at 70B, 3rd Floor, Amoy Street, Singapore 069889, Singapore, at a monthly rent of S\$1,000 for a term of 1 year commencing from 1st September, 2002. However, the 1st sub-tenancy was supplemented by a supplemental sub-tenancy agreement on 12th May, 2003, whereas the subleased premises was extended to 70A on 2nd Floor and 70B on 3rd Floor, Amoy Street, Singapore 069889, Singapore (except a server room at 70A on 2nd Floor), with the monthly rental increased to S\$4,800 (equivalent to approximately HK\$20,620), whilst the term of the sub-tenancy remains unchanged.

Consultancy service agreement

On 1st January 2003, GDC Technology Limited, a wholly owned subsidiary of the Company, entered into a consultancy service agreement with Financial Infrastructure Technology Limited, which is a fellow subsidiary of SW Kingsway, engaging in technology and integrated service. Pursuant to the consultancy service agreement, GDC Technology Limited agreed to retain certain consultancy services of Financial Infrastructure Technology Limited. In providing such services, Financial Infrastructure Technology Limited will (i) review current and future business goals to determine optimal architecture, evaluate current policies and procedures to meet operational requirements, evaluate capacities of the customer's technical staff and recommend improvements; (ii) develop a comprehensive yet flexible design that meets the customer's present and future needs for capacity and performance; and (iii) integrate, configure, install and test hardware/software products to ensure a state of production readiness and mentor the customer's staff

implementation. The agreement shall continue in full force and effect for a fixed period of 12 months from the effective date unless earlier terminated in accordance with the provisions of the consultancy service agreement and the total fee payable by GDC Technology Limited under the agreement is HK\$380,000.

Secretarial and accounting services

In 2000 and 2001, a wholly-owned subsidiary of SW Kingsway provided certain secretarial services to the Group for an aggregate consideration of approximately HK\$26,040. Further, during the same period, certain staff of SW Kingsway and its associates assisted the Group in keeping its accounts for no charges.

Save as disclosed above and otherwise stated in this prospectus, Kingsway Capital and its associates have not provided any other services to the Group.

ON-LENDING LOANS FROM KINGSWAY FINANCE TO THE GROUP

On 17th October, 2001, GDC entered into an agreement with E-Talent, (which is owned by Ms. Po Mei Ching), pursuant to which E-Talent advanced various loans to GDC totaling HK\$5,800,000 (“E-Talent Facility”). Each of E-Talent and Ms. Po Mei Ching is an independent third party not connected with any of the directors, chief executive, substantial shareholders or initial management shareholders of the Company or an associate of any of them for the purpose of the GEM Listing Rules, and is not connected with and is independent from Kingsway Finance. Interest shall accrue on a day to day basis on the outstanding principal amount of the E-Talent Facility at the best lending rate as quoted by the Standard Chartered Bank, Hong Kong from time to time plus 3% per annum. The E-Talent Facility is unsecured and was due on 17th June, 2003.

On 16th October, 2001, E-Talent entered into an agreement with Kingsway Finance pursuant to which Kingsway Finance agreed to make available to E-Talent a credit facility of HK\$5,800,000 (the “Kingsway Finance Facility”), which was used by E-Talent for on-lending to GDC as working capital under the E-Talent Facility. Each of Anthony Neoh, Raymond Neoh and Ms. Po Mei Ching has individually and separately given an irrevocable and unconditional personal guarantee in favour of Kingsway Finance for the repayment of the Kingsway Finance Facility, which shall continue to be effective until final payment has been made. The Directors confirm that the relevant on-lending arrangement was made as a result of a mutual commercial decision made amongst Kingsway Finance, E-Talent, the Group and the personal guarantors concerned, taking into particular account the internal lending policies of Kingsway Finance (and especially the credit exposure limit and the requirement on the number of persons providing guarantees under such on-lending arrangement). In order to fulfill the requirements of Kingsway Finance as a lender, Ms. Po Mei Ching (who wholly-owns E-Talent and is a personal friend of Anthony Neoh) was introduced by Anthony Neoh to assist the on-lending arrangement and to act as the personal guarantor for the loan from Kingsway Finance to E-Talent.

Pursuant to a deed of novation dated 28th November, 2002 entered into between GDC, GDC Holdings Limited and E-Talent, GDC agreed to transfer the E-Talent Facility together with outstanding interests accrued which it owed to E-Talent, in an aggregate amount of approximately HK\$5,880,048 to GDC Holdings Limited, by way of novation. As at 31st May, 2003, the principal amount of loan due from the Group to E-Talent amounted to HK\$5,800,000. The E-Talent Facility was due on 17th June, 2003 and the Group had negotiated with E-Talent to extend the E-Talent Facility under the original terms. The E-Talent Facility together with accrued interest was repaid on the Latest Practicable Date.

The Directors confirm that the above loans were applied towards the CG production of *Thru the Moebius Strip* and as working capital of the Group.

LOAN FROM WILLIAM KA CHUNG LAM TO THE GROUP AND HIS SHAREHOLDING AND DIRECTORSHIP IN THE COMPANY

Pursuant to a deed of novation dated 27th November, 2002 entered into between GDC Holdings Limited, GDC and William Ka Chung Lam, GDC agreed to transfer the loan together with outstanding interests which it owed to William Ka Chung Lam, in an aggregate amount of approximately HK\$1,035,234 to GDC Holdings Limited, by way of novation. As at 31st May, 2003, the principal amount of loan due from the Group to William Ka Chung Lam amounted to HK\$1,000,000. The said loan was due on 30th July, 2002 and the Group had negotiated with William Ka Chung Lam to extend the said loan under the original terms. The said loan together with accrued interest was repaid on the Latest Practicable Date.

The Directors confirm that the above loans were applied towards the CG production of *Thru the Moebius Strip* and as working capital of the Group.

Immediately after completion of the New Issue and the Capitalization Issue but before the exercise of the Sotas Option, William Ka Chung Lam, through his interest in Perfect Brilliant Limited, will be interested in 29,160,654 Shares, representing approximately 3.8% of the issued share capital of the Company. William Ka Chung Lam has never had any directorship in the Company. William Ka Chung Lam was a director of GDC between January 2000 and January 2002.