

FURTHER INFORMATION ABOUT THE COMPANY AND ITS SUBSIDIARIES**1. Incorporation**

The Company was incorporated in Bermuda under the Companies Act as an exempted company with limited liability on 9th October, 2002. The Company has established a place of business in Hong Kong at No. 625, King's Road, Suite 1205, North Point, Hong Kong. It was registered on 24th February, 2003 with the Registrar of Companies in Hong Kong as an overseas company in Hong Kong under Part XI of the Companies Ordinance, and Raymond Neoh was appointed as the agents of the Company for the acceptance of service of process.

As the Company is incorporated in Bermuda, it operates subject to Bermuda law and its constitutive documents comprised a memorandum of association and bye-laws of the Company. A summary of various provisions of the Company's constitution and relevant aspects of the Bermuda company law is set out in appendix IV to this prospectus.

2. Changes in share capital

- (a) As at the date of incorporation of the Company, its initial authorised share capital was HK\$100,000 divided into 10,000,000 Shares with a nominal value of HK\$0.01 each.
- (b) On 7th November, 2002, 10,000,000 Shares were allotted and issued nil-paid to Upflow Holdings Limited.
- (c) By written resolutions of the Shareholders dated 31st December, 2002:
 - (i) the authorised share capital of the Company was increased from HK\$100,000 to HK\$12,000,000 by the creation of an additional 1,190,000,000 Shares; and
 - (ii) as consideration for the acquisition ("Acquisition") by the Company of the entire issued share capital of GDC (BVI) Limited, the Directors were authorised to allot and issue an aggregate of 30,000,000 Shares, credited as fully paid to the then existing shareholders of GDC (BVI) Limited (as described in sub-paragraph (s) in the paragraph headed "Corporate reorganization" in this appendix V), and to credit as fully paid at par the 10,000,000 Shares issued nil-paid to Upflow Holdings Limited on 7th November, 2002.
- (d) On 26th June, 2003 and 25th June, 2003, Overseas Chinese Town and CITIC International Assets Management Limited first became Shareholders respectively (details of such first entrance as shareholders are set out in Notes 17 and 18 to the sub-section headed "Shareholding structure and restrictions on disposal on Shares" in the section headed "Summary" of this prospectus.)

Assuming that the New Issue becomes unconditional, immediately following completion of the New Issue and the Capitalization Issue but taking 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, the authorised share capital of the Company will be HK\$12,000,000 divided into 1,200,000,000 Shares, of which 780,000,000 Shares will be allotted and issued fully paid or credited as fully paid, and 420,000,000 Shares will remain unissued. Other than pursuant to the exercise of any options which may be granted under the Share Option Scheme and/or the Sotas Option and save as disclosed above, there is no present intention to issue any part of the authorised and unissued share capital of the Company.

Save as aforesaid, there has been no alteration in the share capital of the Company since its incorporation.

3. Resolutions of the Shareholders passed at the Company's special general meeting held on 18th July, 2003

In accordance with the resolutions passed by the Shareholders in a special general meeting held on 18th July, 2003:

- (a) the bye-laws of the Company were adopted;
- (b) the increase of the authorised share capital of the Company from HK\$100,000 to HK\$12,000,000 by the creation of an additional 1,190,000,000 Shares which was effected on 20th February, 2003, was noted;
- (c) the Acquisition by the Company was noted;
- (d) conditional upon all conditions set out in the sub-section headed "Conditions of the New Issue" under the section headed "Structure of the New Issue" of this prospectus:
 - (i) the New Issue and the Sotas Option was approved and the Directors were authorised to allot and issue the New Shares pursuant thereto;
 - (ii) the Share Option Scheme was approved and adopted and the Directors were authorised to grant options to subscribe for shares thereunder and to allot and issue Shares pursuant to the exercise of any options granted under the Share Option Scheme;
 - (iii) the Sotas Option was approved and adopted and the Directors were authorized to grant the Sotas Option and to allot and issue Shares pursuant to the exercise of the Sotas Option; and
 - (iv) the Capitalization Issue was approved and conditional upon the share premium account of the Company being credited as a result of the New Issue, 670,452,008 Shares be allotted and issued to holders of Shares whose names appear on the register of members of the Company as at the close of business on 18th July, 2003 in proportion to their then existing shareholdings in the Company (or as such holders may direct) and an amount of HK\$6,704,520 standing to the credit of the share premium account of the Company be applied to pay up in full at par such Shares;
- (e) a general unconditional mandate was given to the Directors to allot, issue and deal with, otherwise than by way of rights or pursuant to the exercise of any options granted under any share option scheme or an issue of shares of the Company in lieu of the whole or part of a dividend on shares in accordance with the bye-laws of the Company, Shares with an aggregate nominal value not exceeding 20% of the aggregate nominal amount of the share capital of the Company in issue immediately following the New Issue and the Capitalization Issue;
- (f) a general unconditional mandate was given to the Directors to purchase its own securities listed on the Stock Exchange or on any other stock exchange on which the securities of the Company may be listed and recognized by the SFC and the Stock Exchange for this purpose, with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue immediately following the New Issue and Capitalization Issue;

- (g) the general unconditional mandate referred to in paragraph (e) above was extended by the addition to the aggregate nominal amount of the share capital of the Company which may be allotted or agreed to be allotted by the Directors pursuant to such unconditional general mandate of an amount representing the aggregate nominal amount of the Shares purchased by the Company pursuant to the mandate to purchase its own securities listed referred to in paragraph (f) above provided that such extended amount shall not exceed 10% of the aggregate nominal value of the issued share capital of the Company outstanding, immediately following completion of the New Issue and the Capitalization Issue;

each of the general unconditional mandates referred to above will remain in effect until the conclusion of the next annual general meeting of the Company, the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable law of Bermuda to be held, or when it is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

4. Corporate reorganization

The companies comprising the Group underwent a reorganization in preparation for the listing of the Shares on the Stock Exchange. Following the reorganization, the Company became the holding company of the Group.

The corporate reorganization involved the following:

- (a) On 29th December, 1999, GDC Technology Limited was incorporated in the BVI and on 11th January, 2000, one share of US\$1.00 was allotted and issued to Financial Outreach Limited at par for cash.
- (b) On 31st March, 2000, one share of US\$1.00 in GDC Technology Limited was transferred by Financial Outreach Limited to GDC. In consideration, Financial Outreach Limited was allotted and issued 1,500 shares of US\$1.00 in the share capital of GDC.
- (c) On 7th September, 2000, GDC Technology Pte. Limited (formerly known as Cycle Flow Pte. Limited) was incorporated in Singapore and on the same day, two shares of S\$ 1.00 each were issued and allotted to Annie Oh Kai Yen and Phoon Lee Fong respectively at par for cash.
- (d) On 4th October, 2000, one share of S\$1.00 each in GDC Technology Pte. Limited was transferred by Annie Oh Kai Yen to Chong Man Nang at par for cash, to the extent that such one share in GDC Technology Pte. Limited is to be held by Chong Man Nang on trust for GDC Technology Limited. On the same day, the other one share of S\$1.00 each in GDC Technology Pte. Limited was transferred by Phoon Lee Fong to GDC Technology Limited at par value for cash.
- (e) On 29th December, 1999, GDC Entertainment Limited (formerly known as GDC Enterprises Limited) was incorporated in the BVI. On 11th January, 2000, 1,710 shares, 1,500 shares and 300 shares of US\$1.00 each in GDC Entertainment Limited were issued and allotted to Upflow Holdings Limited, Kingsway Technology Investments Limited and William Ka Chung Lam respectively at par for cash.
- (f) On 31st March, 2000, 1,710 shares, 1,500 shares and 300 shares of US\$1.00 each in GDC Entertainment Limited were transferred by Upflow Holdings Limited, Kingsway Technology Investments Limited and William Ka Chung Lam respectively to GDC. In consideration, GDC

allotted and issued 1,710,000, 1,500,000 and 300,000 shares of US\$1.00 each in GDC to Upflow Holdings Limited, Kingsway Technology Investments Limited and William Ka Chung Lam respectively.

- (g) On 14th January, 2000, GDC China Limited was incorporated in Hong Kong and on 3rd January 2000, one share of HK\$1.00 each in GDC China Limited were allotted and issued to New Way Secretarial Limited and Smart Registrations Limited respectively at par for cash.
- (h) On 30th March, 2000, one share of HK\$1.00 each in GDC China Limited was transferred by New Way Secretarial Limited to Bill Lam & Associates Limited at par for cash, to the extent that such one share in GDC China Limited is to be held by Bill Lam & Associates on trust for Financial Outreach Limited. On the same day, one share of HK\$1.00 each in the share capital of GDC China Limited was transferred by Smart Registrations Limited to Financial Outreach Limited at par for cash. On 31st March, 2000, Bill Lam & Associates Limited executed another declaration of trust to declare that the beneficial ownership of the one share in GDC China Limited, held in its name, should belong to GDC.
- (i) On 31st March, 2000, one share of HK\$1.00 each in GDC China Limited was transferred by Financial Outreach Limited to GDC in consideration of HK\$455,000 in cash which was based on the then net book value of GDC China Limited.
- (j) On 13th August, 2001, one share of HK\$1.00 each in GDC China Limited was transferred from Bill & Lam Associates Limited to Mak, Lai Yu Amelia at par for cash. On the same day, Mak Lai Yu Amelia executed a declaration of trust to declare that the beneficial ownership of the one share in GDC China Limited, held in her name, should belong to GDC.
- (k) On 17th August, 2000, IDMT was incorporated in Shenzhen, the PRC as the GDC China Limited's wholly owned foreign enterprise.
- (l) On 3rd September, 2002, GDC Holdings Limited was incorporated in the BVI and on 28th November, 2002, one share of US\$0.01 each in GDC Holdings Limited was issued and allotted to GDC at par for cash.
- (m) On 9th October, 2002, the Company was incorporated in Bermuda and on 7th November, 2002, 10,000,000 Shares of HK\$0.01 each were issued and allotted to Upflow Holdings Limited nil paid;
- (n) On 14th November, 2002, GDC (BVI) Limited was incorporated in the BVI and on 28th November, 2002, one share of US\$0.01 each in GDC (BVI) Limited was allotted and issued to GDC at par for cash.
- (o) 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 ("Share Swap 1"). The consideration for the aforesaid sale by GDC consisted of (i) GDC Holdings Limited's allotment and issuance of 521,418,075 of its shares of US\$0.01 each, credited as fully paid and each ranking pari passu with the existing shares of GDC Holdings Limited in all respects, to GDC; and (ii) GDC Holdings Limited's assumption of certain loans and a convertible loan (brief details of which are set out under the subsections 7(c) to 7(i) under the section headed "Summary of material contracts" in this appendix) which were owed by GDC to several lenders, by way of novation.

- (p) On 28th November, 2002, GDC sold its entire 100% shareholding in GDC Holdings Limited to GDC (BVI) Limited (“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, credited as fully paid and each ranking pari passu with the existing shares of GDC (BVI) Limited in all respects, to GDC.
- (q) On 28th November, 2002, GDC reduced its issued share capital from US\$24,700,000.00 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.
- (r) 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, in the following manner:

Name of Shareholder	Number of distributed shares to be allotted
Upflow Holdings Limited	162,758,435.869
Anthony Neoh	94,995,196.032
Perfect Brilliant Limited	22,165,545.741
Christopher Paul Neoh	7,916,266.336
SRI Group Limited	12,666,026.138
Richard Yingneng Yin	6,333,013.069
Cyber Prime Developments Limited	31,665,065.344
Financial Outreach Limited	12,666,026.138
Ajitkumar Chandubhai Patel	7,916,266.336
Sotas Limited	42,220,087.126
Chong Man Nang	6,333,013.069
Forward Strategic Investments Limited	66,042,771.286
Bright Oceans Corporation (HK) Limited	15,642,542.280
Future United Investments Limited	7,821,271.140
Marketeer Management Limited	21,110,043.563
Kanwin Corporation	3,166,506.534

- (s) After GDC (BVI) Limited repurchased 14,664,005 shares of GDC (BVI) Limited from Forward Strategic Investments Limited for cancellation on 31st December, 2002, the existing shareholders of GDC (BVI) Limited sold their entire 100% shareholdings in GDC (BVI) Limited to the Company (“Share Swap 3”) in return of the Company’s allotment and issuance of the aggregate of 30,000,000 Shares in the following manner and to credit as fully paid at par the 10,000,000 Shares issued nil-paid to Upflow Holdings Limited on 7th November, 2002:

Name of Shareholder	Number of Shares to be allotted as consideration
Upflow Holdings Limited	2,975,156
Anthony Neoh	7,573,048
Perfect Brilliant Limited	1,767,044
Christopher Paul Neoh	631,088
SRI Group Limited	1,009,740
Richard Yingneng Yin	504,870
Cyber Prime Developments Limited	2,524,350
Financial Outreach Limited	1,009,740
Ajitkumar Chandubhai Patel	631,088
Sotas Limited	3,365,800
Chong Man Nang	504,870
Forward Strategic Investments Limited	3,697,330
Bright Oceans Corporation (HK) Limited	1,247,028
Future United Investments Limited	623,514
Marketeer Management Limited	1,682,900
Kanwin Corporation	252,434

Information about the Group’s principal PRC enterprise

Name of PRC enterprise:	IDMT (Shenzhen) Limited* (環球數碼媒體科技研究(深圳)有限公司)
Nature:	Wholly foreign-owned enterprise
Registered capital:	US\$2 million
Total Investment Amount:	US\$2.58 million
Attributable interest of the Group:	100% (through GDC China Limited)
Date of establishment:	17th August, 2000
Term of joint venture:	30 years commencing on 17th August, 2000

* For identification purposes only

5. Changes in the share capital of subsidiaries

The subsidiaries of the Company are listed in the accountant's report set out in appendix I to this prospectus. The following alterations in the share capital of the Company's subsidiaries took place within two years immediately preceding the date of this prospectus.

(a) *GDC China Limited*

- (i) On 13th August, 2001, one share of HK\$1.00 each in GDC China Limited was transferred from Bill & Lam Associates Limited to Amelia Mak Lai Yu at par for cash. On the same day, Amelia Mak Lai Yu executed a declaration of trust to declare that the beneficial ownership of the one share in GDC China Limited held in her name, should belong to GDC.
- (ii) On 28th November, 2002, GDC sold the entire issued capital in GDC China Limited (which consisted of two shares of HK\$1.00 each) to GDC Holdings Limited as part of Share Swap 1.
- (iii) On 29th November, 2002, Amelia Mak Lai Yu executed a declaration of trust to declare that the beneficial ownership of the one share in GDC China Limited held in her name, should belong to GDC.

(b) *GDC Technology Limited*

- (i) On 28th November, 2002, GDC sold the entire issued capital in GDC Technology Limited (which consisted of one share of US\$1.00 each) to GDC Holdings Limited as part of Share Swap 1.

(c) *GDC Entertainment Limited*

- (i) On 28th November, 2002, GDC sold the entire issued capital in GDC Entertainment Limited (which consisted of 3,510 shares of US\$1.00 each) to GDC Holdings Limited as part of Share Swap 1.

(d) *GDC Holdings Limited*

- (i) On 28th November, 2002 and pursuant to Share Swap 2, GDC sold the entire issued capital in GDC Holdings Limited (which consisted of 521,418,076 shares of US\$0.01 each) to GDC (BVI) Limited.

(e) *GDC (BVI) Limited*

- (i) On 31st December, 2002 and pursuant to Share Swap 3, the then existing shareholders of GDC (BVI) Limited sold the entire issued share capital in GDC (BVI) Limited (which consisted of 521,418,076 shares of US\$0.01 each) to the Company.

Save as aforesaid and under the paragraph headed "Corporate reorganization" in this appendix V, there has been no alteration in the share capital of any of the subsidiaries of the Company within the two years preceding the date of this prospectus.

6. Purchase by the Company of its own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the purchase by the Company of its own securities:

(a) *The GEM Listing Rules*

The GEM Listing Rules permit companies whose listing are on GEM to purchase their securities on GEM, subject to certain restrictions, the most important of which are summarized below:

(i) *Shareholders approval*

All purchases of securities on GEM by a company with its listing on GEM must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval in relation to specific transactions.

(ii) *Sources of funds*

Purchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Bye-laws and the applicable laws of Bermuda. A listed company is prohibited from purchasing its own securities on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(iii) *Trading restrictions*

The total number of shares which a company is authorised to purchase on GEM or on any other stock exchange recognized by the SFC and the Stock Exchange are shares representing up to a maximum of 10% of the aggregate nominal value of the existing issued share capital of that company and warrants to subscribe for shares in the company representing up to 10% of the amount of warrants then outstanding in issue at the date of the passing of the relevant resolution granting the buyback mandate. A company may not issue or announce an issue of new securities of the type that have been purchased for a period of 30 days immediately following a purchase of securities whether on GEM or otherwise (except pursuant to the exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. A company is prohibited from purchasing its securities on GEM if the purchases would result in the number of the listed securities in the hands of the public falling below the relevant prescribed minimum percentage for that company as required by the Stock Exchange.

(iv) *Status of purchased shares*

The GEM Listing Rules provided that purchase can only be made if the Shares proposed to be purchased are fully-paid up.

The listing of all purchased securities (whether on GEM or otherwise) is automatically cancelled. Under Bermuda law, a company's purchased share shall be treated as cancelled and the amount of the company's issued share capital shall be reduced by the aggregate nominal value of the purchased shares accordingly although the authorised share capital of the company will not be reduced.

(v) *Suspension of purchase*

Any securities purchase programme shall be suspended after a price-sensitive development has occurred or has been the subject of a decision until the price sensitive information has been made public. In particular, during the period of one month immediately preceding either the preliminary announcement of a company's annual results or the publication of the company's interim report or quarterly report, the company may not purchase its securities on GEM, unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit purchases of securities on GEM if the company has breached the GEM Listing Rules.

(vi) *Reporting Requirements*

Purchases of securities on GEM or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading section or any pre-opening session on the following business day on which the issuer makes a repurchase of Shares. The Stock Exchange is to make this information publicly available as soon as possible. In addition, the company is required in its annual report and accounts to disclose details regarding purchases of securities made during the year, including a monthly analysis on the number of securities purchased, the purchase price per share or the highest and lowest price paid by the company and the aggregate prices paid. The directors' report shall contain reference to the purchases made during the year and the reasons for making such purchases. The Company shall procure that any broker appointed by it to effect the purchase of securities shall disclose to the Stock Exchange such information with respect to purchase made on behalf of the Company as the Stock Exchange request.

(vii) *Connected parties*

A company is prohibited from knowingly purchasing securities of the company on GEM from a connected person, that is, a director, a chief executive, a substantial shareholder or a management shareholder of the company or their respective associates. A connected person shall not knowingly sell his securities to the company on GEM.

(b) *Exercise of the buyback mandate*

Exercise in full of the buyback mandate, on the basis of 780,000,000 Shares in issue immediately after the listing of the Shares and completion of the Capitalization Issue but before the exercise of the options which may be granted under the Share Option Scheme and/or the Sotas Option, could accordingly result in up to 78,000,000 Shares (representing approximately 10% of the total issued share capital of the Company) as at the Listing Date being purchased by the Company during the period prior to:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the bye-laws of the Company to be held; or
- (iii) the revocation or variation of the buyback mandate by an ordinary resolution of the shareholders of the Company in general meeting, whichever is the earliest.

(c) ***Reasons for purchases***

The Directors believe that it is in the interests of the Company and its shareholders for the Directors to have a general authority from shareholders to enable the Company to purchase Shares in the market. Purchases of Shares will only be made when the Directors believe that such purchases will benefit the Company and its members. Such purchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of the Company and its assets and/or its earnings per Share.

(d) ***Funding of purchases***

In purchasing securities, the Company may only apply funds legally available for such purpose in accordance with its memorandum of association and bye-laws, the GEM Listing Rules and the applicable laws of Bermuda.

The Company shall not purchase securities on the Stock Exchange for a consideration other than cash or for settlement otherwise in accordance with the trading rules of the Stock Exchange from time to time.

(e) ***General***

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in this prospectus) in the event that buyback mandate is exercised in full. The Directors do not propose to exercise the buyback mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or its gearing levels which, in the opinion of the Directors, are from time to time appropriate for the Company.

None of the Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective associates (as defined in the GEM Listing Rules), has any present intention to sell any Shares to the Company or its subsidiaries if the buyback mandate is exercised.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the buyback mandate in accordance with the memorandum of association of the Company, the GEM Listing Rules and the applicable laws of Bermuda. No connected person (as defined in the GEM Listing Rules) has notified the Company that he has a present intention to sell Shares to the Company, or has undertaken not to do so, if the buyback mandate is exercised.

If as a result of a share purchase pursuant to the buyback mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "Code"). Accordingly, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase of the shareholders' interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Code as a result of any such increase. Save as aforesaid, the Directors are not presently aware of any consequence which will arise under the Code as a consequence of any purchases made pursuant to the buyback mandate immediately after the listing of the Shares on the GEM.

FURTHER INFORMATION ABOUT THE BUSINESS**7. Summary of material contracts**

The following contracts (not being contracts in the ordinary course of business) have been entered into by the Company or any of its subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (a) an agreement dated 23rd July, 2002 between GDC and Kingsway Capital, pursuant to which GDC agreed to appoint Kingsway Capital as a financial adviser in respect of the listing of the Shares on GEM and to grant Kingsway Capital the right (but not the obligation) to act as a joint Sponsor in respect of the same. This agreement was subsequently terminated by way of a written notice dated 31st March, 2003;
- (b) an agreement concluded on 7th November, 2002 between GDC and Kim Eng Capital (Hong Kong) Limited, pursuant to which Kim Eng Capital (Hong Kong) Limited agreed to act as the Company's sponsor in respect of the listing of the Shares on GEM. This agreement was subsequently terminated by way of a written notice dated 7th February, 2003 (the same of which was accepted on 11th February, 2003);
- (c) a deed of novation dated 28th November, 2002, made between GDC Holdings Limited, GDC and E-Talent, under the terms of which GDC agreed to transfer the loan together with outstanding interests which it owed to E-Talent, in the amount of HK\$5,880,047.94 to GDC Holdings Limited, by way of novation;
- (d) a deed of novation dated 28th November, 2002, made between GDC Holdings Limited, GDC and Sotas Limited, under the terms of which GDC agreed to transfer the loans together with outstanding interest which it owed to Sotas Limited, in an aggregate amount of HK\$7,859,616.45 to GDC Holdings Limited, by way of novation. This deed of novation 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 therefore granted to Sotas Limited the Sotas Option, details of which are set out in sub-section 15 headed "Sotas Option" in this appendix;
- (e) a deed of novation dated 28th November, 2002, made between GDC Holdings Limited, GDC and Anthony Neoh, under the terms of which GDC agreed to transfer the loan together with outstanding interests which it owed to Anthony Neoh, in the amount of HK\$9,660,783.57 to GDC Holdings Limited, by way of novation;
- (f) a deed of novation dated 27th November, 2002, made between GDC Holdings Limited, GDC and Kingsway Finance, under the terms of which GDC agreed to transfer the loan together with outstanding interests which it owed to Kingsway Finance, in the amount of HK\$1,723,162.22 to GDC Holdings Limited, by way of novation;
- (g) a deed of novation dated 27th November, 2002, made between GDC Holdings Limited, GDC and William Ka Chung Lam, under the terms of which GDC agreed to transfer the loan together with outstanding interests which it owed to William Ka Chung Lam, in the amount of HK\$1,035,234.26 to GDC Holdings Limited, by way of novation;

- (h) a deed of novation dated 27th November, 2002, made between GDC Holdings Limited, GDC and Richard Yingneng Yin, under the terms of which GDC agreed to transfer the loan together with outstanding interests which it owed to Richard Yingneng Yin, in the amount of HK\$310,607.81 to GDC Holdings Limited, by way of novation;
- (i) a deed of novation dated 27th November, 2002, made between GDC Holdings Limited, GDC and Middle Asia Limited, under the terms of which GDC Holdings Limited agreed to take over the benefits and obligations of GDC under the Middle Asia Subscription Agreement, by way of novation, as if GDC Holdings Limited had been named as a party thereto in substitution of GDC;
- (j) an agreement dated 16th December, 2002, between the Group and Adlabs, pursuant to which Adlabs agreed to sell and the Group agreed to purchase 3,200 shares of Adlabs D2C Applications Pvt Ltd, a wholly owned subsidiary of Adlabs, representing an 8% equity interest in Adlabs D2C Applications Pvt Ltd. The purchase of the said 3,200 shares is conditional upon, among other things, the successful listing of the Shares on GEM and the consideration thereof shall be US\$1,000,000;
- (k) a sale and purchase agreement dated 31st December, 2002 entered into amongst, inter alia, the Company and the then existing shareholders of GDC (BVI) Limited, whereby the Company acquired from the then existing shareholding of GDC (BVI) Limited the entire issued share capital of GDC (BVI) Limited, in consideration for the issue and allotment of an aggregate of 30,000,000 Shares, credited as fully paid, in the manner and to the shareholders whose name are more particularly set out in paragraph 4(s) in the section headed “Corporate Reorganization” of this appendix and to credit as fully paid at par the 10,000,000 Shares issued nil paid to Upflow Holdings Limited on 7th November, 2002;
- (l) a deed of indemnity dated 31st December, 2002 given by Raymond Neoh, Anthony Neoh and Upflow Holdings Limited in favour of the Group in relation to taxation and estate duty, referred to in the paragraph headed “Estate duty and tax indemnity” in this appendix V.
- (m) an agreement (in Chinese) dated 23rd January, 2003, made between IDMT, the Company and Zhanjiang Dong Hai. Under the terms of this agreement, Zhanjiang Dong Hai agreed to invest in IDMT an amount of RMB2,000,000 (equivalent to approximately HK\$1,886,000) (“Zhanjiang Dong Hai investment”). This agreement also provided for the Group to convert the Zhanjiang Dong Hai investment into Shares upon listing of the Shares, at a conversion rate of 75% of the Issue Price. If conversion of the Zhanjiang Dong Hai investment into Shares fails to take place within one year from the Listing Date, the Group shall buy back such investment at 105% from Zhanjiang Dong Hai. This agreement was subsequently cancelled on 9th June, 2003 by mutual agreement of all parties, upon which Zhanjiang Dong Hai was entitled to demand for the repayment of RMB1,300,000 (which had already been paid to IDMT as deposit) from 30th July, 2003 onwards;
- (n) an agreement dated 7th February, 2003 between the Company and the Sponsor, pursuant to which the Sponsor agreed to act as the Company’s sponsor in respect of the New Issue for a fee;
- (o) an agreement concluded on 19th March, 2003 between the Company and CM-CCS, pursuant to which CM-CCS agreed to act as the Company’s lead Manager, bookrunner and financial adviser for a fee;




- (p) a share subscription agreement (in Chinese) dated 19th March, 2003 made between the Company and Shanghai Xin Chang Ning. Under the terms of this agreement, Shanghai Xin Chang Ning agreed to subscribe for and the Company agreed to issue 1% of its Shares to Shanghai Xin Chang Ning for a cash consideration of US\$1,000,000;
- (q) an agreement dated 27th March, 2003 made between the Company, Asia Investment Management Limited and the Lead Manager, pursuant to which Asia Investment Management Limited and the Lead Manager agreed to procure necessary interim financing for the Company on a best endeavours basis for a finder's fee on the total funds raised on a success basis;
- (r) an agreement dated 1st April, 2003 between the Company and Kingsway Capital, pursuant to which Kingsway Capital agreed to act as the Company's financial adviser in respect of the New Issue for a fee;
- (s) an agreement (in Chinese) dated 23rd April, 2003, made between IDMT, the Company and Shanghai Xin Chang Ning. Under the terms of this agreement, Shanghai Xin Chang Ning agreed to invest in IDMT for an amount of RMB8,270,000 (equivalent to approximately HK\$7,797,000) ("Shanghai Xin Chang Ning's investment"). This agreement also provided for the Group to convert the Shanghai Xin Chang Ning investment into Shares upon the listing of the Shares, at a conversion rate of 75% of the Issue Price. If conversion of the Shanghai Xin Chang Ning's investment into Shares fails to take place within one year from the date on which Shanghai Xin Chang Ning's investment were fully made, the Group shall buy back such investment at 105% from Shanghai Xin Chang Ning;
- (t) a share transfer agreement (in Chinese) dated 23rd April, 2003 made between GDC China and Shanghai Xin Chang Ning. Under the terms of this agreement, GDC China agreed to transfer 30% of its capital interest in IDMT to Shanghai Xin Chang Ning at a consideration of US\$1,000,000. Such transfer shall be effective upon receipt of the consideration of US\$1,000,000 by GDC China and the granting of approval for such transfer from the relevant PRC authorities which are empowered to approve such transfer;
- (u) a cancellation agreement dated 25th June, 2003, pursuant to which agreements itemised (p), (s) and (t) in this section were all cancelled. This cancellation agreement also provided that the Company shall repay RMB8,270,000 to Shanghai Xin Chang Ning before 30th June, 2004;
- (v) a share subscription agreement (in Chinese) dated 10th June, 2003, made between the Company, Overseas Chinese Town and Upflow Holdings Limited as guarantor. Under the terms of this share subscription agreement, Overseas Chinese Town agreed to subscribe for not less than 4.87% of Shares (held immediately after the New Issue and the Capitalization Issue but before the exercise of the Sotas Option) at the aggregate subscription price of HK\$28,500,000. According to this share subscription agreement, if the Company fails to have its Shares listed on GEM by 30th November, 2003, Overseas Chinese Town will be entitled to exercise a buyback option pursuant to which the Company is obliged to repurchase the aforesaid Shares subscribed by Overseas Chinese Town at HK\$28,500,000 (plus interest based on the London Interbank Offer Rate over the relevant period);
- (w) a share subscription agreement (in Chinese) dated 12th June, 2003, made between the Company and CITIC International Assets Management Limited. Under the terms of this share subscription agreement, CITIC International Assets Management Limited agreed to subscribe for not less than 2.00% of Shares (held immediately after the New Issue and the Capitalization Issue but before the exercise of the Sotas Option) at the aggregate subscription price of HK\$11,700,000;

- (x) a sale and purchase agreement dated 20th June, 2003 entered into between GDC Entertainment Limited, a wholly-owned subsidiary of the Group, and Raymond Neoh pursuant to which GDC Entertainment Limited agreed to acquire from Raymond Neoh his entire shareholding interest (being one-third of the total issued shareholding interest) in Moebius Strip Limited for a cash consideration of US\$100,000. The cash consideration of US\$100,000 shall only be settled one year after the Listing Date;
- (y) a cancellation agreement dated 2nd July, 2003 entered into between GDC Entertainment Limited and Raymond Neoh pursuant to which the agreement itemised (x) in this section was cancelled;
- (z) the Underwriting Agreement; and
- (aa) a sponsor agreement dated 23rd July, 2003 entered into between the Company and the Sponsor whereby the Sponsor will act as the Company's sponsor for the period commencing from (and including) the Listing Date and ending on (and including) 31st December, 2005 or the date on which the arrangement set out in the agreement is terminated pursuant to the terms and conditions set out therein, whichever is earlier.


8. Intellectual property

- (a) As at the Latest Practicable Date, the Group has applied for the registration of the following service marks:

Service marks in application

Mark	Place of Application	Class	Application Date	Application No.
	Hong Kong	37	29th May, 2002	2002 07800
	Hong Kong	41	29th May, 2002	2002 07801
	Hong Kong	41	18th December, 2002	2002 19800

- (b) As at the Latest Practicable Date, the Group has applied for the registration of the following trademarks:

Mark	Place of Application	Class	Application Date	Application No.
DSR	Hong Kong	9	29th May, 2002	2002 07798
<i>i</i> -DSR	Hong Kong	9	29th May, 2002	2002 07799
	Hong Kong	9	29th May, 2002	2002 07802

Note:

<i>Class</i>	<i>Items</i>
9	Digital film equipment for processing, recording and playback of digital film signals; digital HDTV equipment for processing, recording and playback of digital HDTV and standard definition television signals.
37	Construction of digital or electronic cinema, digital or electronic exhibition hall and digital or electronic screening hall/room.
41	Entertainment and educational services relating to digital transmission, digital film and movie development and production; production, distribution and exhibition of digital films or movies in digital format without involving 35mm film or 35mm film projector; production, distribution and exhibition of digital videos or movies in HDTV format; production, distribution and exhibition of live broadcasts in digital format; digital cinema services; provision of movie studios for CG creation and production; games services provided on-line from a computer network; arranging and conducting of training courses relating to CG creation and production; publishing, information, consultancy and advisory services relating to all of the aforesaid services.

FURTHER INFORMATION ABOUT DIRECTORS, STAFF AND EXPERTS

9. Disclosure of interests

- (a) Interests and short positions of Directors in the share capital of the Company and its associated corporations immediately after the New Issue and the Capitalization Issue but before the exercise of the Sotas Option.

Immediately following the completion of the New Issue and the Capitalization Issue (but taking no account of any Shares which may fall to be issued upon the exercise of the options which may be granted under the Share Option Scheme and/or the Sotas Option, so far as is known to the Directors, the beneficial interests (including interests and short positions in the Shares, underlying Shares and debentures) of the Directors in the shares or securities of the Company or any associated corporation (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short position which they are taken or deemed to have taken under such provisions of the SFO), or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that Section, or will be required pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange once the Shares are listed will be as follows:

The Company

Long positions in Shares

Name of Director	No. of Shares	Nature of Interests	Approximate percentage of interest (%)
Anthony Neoh	124,974,230	Personal (<i>Note 1</i>)	16.0%
Raymond Neoh	275,137,713	Corporate (<i>Note 2</i>)	35.3%
David Deng Wei	20,579,090	Corporate (<i>Note 3</i>)	2.6%
Richard Yingneng Yin	8,331,615	Personal (<i>Note 4</i>)	1.1%

Notes:

1. The 124,974,230 Shares will be held by Anthony Neoh directly.
2. The 214,122,516 of these Shares will be held by Upflow Holdings Limited, a company incorporated in the BVI with limited liability and wholly owned by Raymond Neoh. The balance of the 61,015,197 Shares will be held by Forward Strategic, a wholly owned subsidiary of GDC, which is in turn owned as to approximately 32.4% by Upflow Holdings Limited.
3. The 20,579,090 Shares will be held by Bright Oceans Corporation (HK) Limited, a company incorporated in Hong Kong with limited liability and owned as to 50% by David Deng Wei.
4. The 8,331,615 Shares will be held by Richard Yingneng Yin directly.

Long Positions in equity derivatives in, or in respect of, underlying Shares

Name of Director	Number and description of equity derivatives	Number of underlying Shares	Nature of Interests	Approximate percentage of interest (%)
Anthony Neoh	32,201,692 options granted under the Scheme (Note 9)	32,201,692	Personal (Note 10)	4.12%
Raymond Neoh	4,818,450 options granted under the Scheme	4,818,450	Personal (Note 11)	0.62%
Richard Yingneng Yin	5,387,778 options granted under the Scheme	5,387,778	Personal (Note 12)	0.69%

Notes:

9. Please refer to the definition of “Scheme” as set out on Note 4 of the sub-section headed “Shareholding Structure and Restrictions on Disposal of Shares” under the section headed “Summary” of this prospectus.
10. Anthony Neoh has been granted options under the Scheme, which when exercised by him, entitles him to subscribe for a total of 32,201,692 Shares.
11. Raymond Neoh has been granted options under the Scheme, which when exercised by him, entitles him to subscribe for a total of 4,818,450 Shares.
12. Richard Yingneng Yin has been granted options under the Scheme, which when exercised by him, entitles him to subscribe for a total of 5,387,778 Shares.

Short Positions in equity derivatives in, or in respect of, underlying Shares

Name of Director	Number and description of equity derivatives	Number of underlying Shares	Nature of Interests	Approximate percentage of interest (%)
Raymond Neoh	(Note 13)	61,015,197	Corporate (Note 13)	7.8%

Note:

13. Pursuant to the terms of the Scheme, the grantees may purchase the 61,015,197 Shares according to its terms and conditions. As Forward Strategic is a wholly-owned subsidiary of GDC, which is in turn owned to approximately 32.4% by Upflow Holdings Limited, which is wholly owned by Raymond Neoh, GDC, Upflow Holdings Limited and Raymond Neoh are accordingly deemed to be interested in the short positions taken by Forward Strategic.
- (b) Persons who have a notifiable interest of short position which is disclosable under Division 2 and 3 of Part XV of the SFO and substantial shareholders (as defined under the GEM Listing Rules) of other members of the Group.

Immediately following completion of the New Issue and the Capitalization Issue (but taking into no account of any Shares which may fall to be issued upon the exercise of the options which may be granted under the Share Option Scheme and/or the Sotas Option), so far as is known to the Directors, the following, not being a Director or chief executive of the Company, will have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provision of Division 2 and 3 of Part XV of the SFO:

Long positions in Shares

Name	No. of Shares	Nature of Interests	Approximate percentage of interest (%)
Forward Strategic	61,015,197	Corporate (<i>Note 1</i>)	7.8%
GDC	61,015,197	Corporate (<i>Note 1</i>)	7.8%
Upflow Holdings Limited	275,137,713	Corporate (<i>Notes 1&2</i>)	35.3%
SW Kingsway	41,658,077	Corporate (<i>Note 3</i>)	5.4%
Billion On Development Limited	41,658,077	Corporate (<i>Note 3</i>)	5.4%
Festival Developments Limited	41,658,077	Corporate (<i>Note 3</i>)	5.4%
Kingsway China Holdings Limited	41,658,077	Corporate (<i>Note 3</i>)	5.4%
Cyber Prime Developments Limited	41,658,077	Corporate (<i>Note 3</i>)	5.4%
Sotas Limited	55,544,102	Corporate (<i>Note 4</i>)	7.1%
Morningside CyberVentures Holdings Limited	55,544,102	Corporate (<i>Note 4</i>)	7.1%
Verrall Limited	55,544,102	Corporate (<i>Note 4</i>)	7.1%
Chan Tan Ching Fen	55,544,102	Corporate (<i>Note 4</i>)	7.1%

Notes:

1. The 61,015,197 Shares will be held by Forward Strategic, a wholly-owned subsidiary of GDC, which is in turn owned as to approximately 32.4% by Upflow Holdings Limited which is wholly owned by Raymond Neoh.
2. The 214,122,516 Shares will be held by Upflow Holdings Limited, which is wholly owned by Raymond Neoh.
3. The 41,658,077 Shares will be held by Cyber Prime Developments Limited, a company incorporated in the BVI with limited liability, which 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.

4. The 55,544,102 Shares will be held by Sotas Limited, a company incorporated in the BVI with limited liability and wholly owned by Morningside CyberVentures Holdings Limited, which is in turn a wholly-owned subsidiary of Verrall Limited in its capacity as the trustee of a family trust established by Madam Chan Tan Ching Fen, who will be taken to be interested in the Shares disclosed herein in her capacity as founder of the trust (as defined in the SFO) referred to above upon the listing of the Shares on GEM.

Short Positions in equity derivatives in, or in respect of, underlying Shares

Name	Number and description of equity derivatives	Number of underlying Shares	Nature of Interests	Approximate percentage of interest (%)
Forward Strategic	(Note 5)	61,015,197	Corporate (Note 5)	7.8%
GDC	(Note 5)	61,015,197	Corporate (Note 5)	7.8%
Upflow Holdings Limited	(Note 5)	61,015,197	Corporate (Note 5)	7.8%

Notes:

5. Pursuant to the terms of the Scheme, the grantees may purchase the 61,015,197 Shares according to its terms and conditions. As Forward Strategic is a wholly-owned subsidiary of GDC, which is in turn owned as to approximately 32.4% by Upflow Holdings Limited, which is wholly owned by Raymond Neoh, GDC, Upflow Holdings Limited and Raymond Neoh are accordingly deemed to be interested in the short positions taken by Forward Strategic.

Messrs. John C. R. Collis and Anthony D. Whaley, the Company's Bermuda resident representative and deputy representative respectively, are partners of Conyers Dill & Pearman, legal advisers to the Company on Bermuda law. Conyers Dill & Pearman will receive usual professional fees in connection with the incorporation of the Company and the New Issue. Mr. Ira Stuart Outerbridge III, the assistant secretary of the Company, is an employee of Codan Services Limited, a company affiliated with Conyers Dill & Pearman.

10. Related party transactions

Within the two years immediately preceding the date of this prospectus the Group entered into the related party transactions as mentioned in note 13 in the section headed "Notes to the financial information" in the accountants' report set out in appendix I to this prospectus, the section headed "Summary of material contracts" in this appendix V and the paragraph headed "Connected transactions" in the section headed "Business" of this prospectus.

11. Particulars of service contract

Raymond Noeh, the sole executive Director, has entered into a service agreement with the Company whereby he will serve as an executive Director. Particulars of such contract are set out below:

- (a) the service agreement is for an initial term of three years commencing from 18th July, 2003 and will continue thereafter until terminated by either party giving to the other not less than three calendar months' prior notice in writing;
- (b) the remuneration per month, subject to review annually by the Board, and decided by the majority in number of members of the Board, of Raymond Noeh is HK\$100,000;

- (c) the executive Director is entitled to such year-end bonus (if any) as determined by the Board and decided by the majority in number of the members of the Board provided that the total amount of bonuses payable to all Directors for such year shall not exceed 15% of the audited consolidated net profit after taxation and minority interests but before extraordinary and exceptional items and the payment of such bonus;
- (d) the executive Director is also entitled to all reasonable out-of-pocket expenses and medical benefits; and
- (e) the executive Director shall abstain from voting and shall not be counted in the quorum at any meeting of the Board at which the Board is to determine the remuneration and year-end bonus payable to him.

12. Directors' remuneration

During the year ended 31st December, 2002, the aggregate of the remuneration paid to the directors of the Company were approximately HK\$3,419,000. Further information in respect of the Directors' remuneration is set out in note 10 in the section headed "Notes to the financial information" in the accountants' report in appendix I to this prospectus.

Under the present arrangements, the aggregate of the remuneration paid or payable to the executive Director for the year ending 31st December, 2003 are estimated to be approximately HK\$1,200,000 taking no account of any year-end bonus which the executive Director will be entitled to as mentioned above.

The annual remuneration payable to the executive Director under the service contract is as follows:

Name	Annual remuneration payable
Raymond Neoh	HK\$1,200,000

13. Disclaimers

Save as disclosed herein:

- (a) taking no account of the Shares which may be taken up under the New Issue, none of the Directors and chief executive of the Company is aware of any other Directors or chief executives who, as at the Latest Practicable Date, has any interests or short position in any Shares in, underlying shares and debentures of the Company or any associated corporation (within the meaning of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have taken under such provisions of the SFO), or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that Section, or will be required pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange once the Shares are listed;
- (b) so far as is known to any Director, there is no person who is directly or indirectly interests in 5% or more of the nominal value of any class of share capital of carrying rights to vote in all circumstances at general meeting of the Company or any of its subsidiaries;

- (c) none of the Directors or experts referred to under the paragraph headed “Consents of experts” in this appendix V has any direct or indirect interest in the promotion of the Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (d) none of the Directors or experts referred to under the paragraph headed “Consents of experts” in this appendix V is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole;
- (e) none of the Directors has any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)); and
- (f) there are no existing or proposed service contracts (excluding contracts expiring or terminable by the employer within one year without payment of compensation (other than statutory compensation)) between the Company or any of its subsidiaries and any of the Directors.

14. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by the resolutions passed by the Shareholders in a special general meeting held on 18th July, 2003. For the purpose of this section, unless the context otherwise requires:

“Board”	means the board of Directors or a duly authorised committee thereof;
“Commencement Date”	means in respect of any particular Option, the date on which the Option is granted in accordance with the terms of the Share Option Scheme;
“Employee”	means any employee (whether or not full time and including directors and executives), of any member of the Group;
“Grantee”	means any Participant who has been offered and has accepted an Offer in accordance with the terms of the Share Option Scheme, or (where the context so permits) any person who is entitled to any Option in consequence of the death of the original Grantee;
“Listing Date”	means the date on which dealings in the Shares first commence on GEM;
“Offer”	means the offer of the grant of an Option made in accordance with the Share Option Scheme;
“Offer Date”	means the date on which an Offer is made to a Participant;
“Option”	means a right granted to subscribe for Shares pursuant to the terms of the Share Option Scheme;

“Option Period”	means a period to be determined and notified by the Board to each Grantee and in any event such period of time shall not be more than ten years from the Commencement Date; and
“Participant”	means all full-time employee, Directors (including independent non-executive Directors) and part-time employees with weekly working hours of 10 hours and above, of the Group and any advisor (professional or otherwise) or consultant, distributors, suppliers, agents, customers, joint venture partners, service provider to the Group who the Board considers, in its sole discretion, have contributed or contribute to the Group.

The purpose of this Share Option Scheme is to enable the Company to grant Options to selected persons as incentives or rewards for their contribution to the Group.

(a) *Administration*

The Share Option Scheme is subject to the administration by the Board, and the decision of the Board shall be final and binding on all parties. The Board, subject to the GEM Listing Rules, shall have the right (i) to interpret and construe the provisions of the Share Option Scheme, (ii) to determine the eligibility of the persons who will be awarded Options under the Share Option Scheme, and the number and subscription price of Options awarded thereto, (iii) to make such appropriate and equitable adjustments to the terms of Options granted under the Share Option Scheme as it deems necessary, and (iv) to make such other decisions or determinations as it shall deem appropriate in the administration of the Share Option Scheme.

(b) *Who may join*

The Board may, at its discretion, offer any Participants options to subscribe for such number of new Shares as the Board may determine at an exercise price to be determined in accordance with paragraph (c) below. Upon acceptance of the option, the Grantee shall pay HK\$1.00 to the Company by way of consideration for the grant.

(c) *Price of Shares*

The subscription price for Shares under the Share Option Scheme will be determined by the Board in its absolute discretion and notified to a Participant and will be no less than the higher of:

- (i) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the Offer Date which must be a business day;
- (ii) the average closing price of the Shares as stated in the daily quotation sheets by the Stock Exchange for the five business days immediately preceding the Offer Date; and
- (iii) the nominal value of a Share on the Offer Date.

For the purpose of calculating the subscription price where the Company has been listed for less than 5 business days, the issue price shall be used as the closing price for any business day falling within the period before the Listing Date.

(d) *Maximum number of Shares*

- (i) The overall limit on the number of Shares which may be issued upon the exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the Shares in issue from time to time (“Scheme Limit”). Taking into account the Shares in issue immediately after the completion of the New Issue and the Capitalization Issue but before the exercise of the Sotas Option, the Scheme Limit is 78,000,000 Shares (representing approximately 10% of the total issued shares capital of the Company as at the Listing Date);
- (ii) immediately after the Listing Date, the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of the Company must not, in aggregate, exceed 10% of the Shares in issue on the Listing Date (the “Scheme Mandate Limit”) unless approval of the Shareholders has been obtained pursuant to sub-paragraphs (iii) and (iv) below. Options lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.
- (iii) subject to paragraph (i) above, the Company may renew the Scheme Mandate Limit at any time subject to prior shareholders’ approval, provided that the Scheme Mandate Limit as “refreshed” must not exceed 10% of the Shares in issue as at the date of approval of the Scheme Mandate Limit. Options previously granted under the Share Option Scheme and other share option schemes (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or other share option scheme or exercised Options) will not be counted for the purpose for calculating the limit as “refreshed”. A circular containing information required under the GEM Listing Rules must be sent to Shareholders in connection with the meeting at which their approval will be sought.
- (iv) subject to paragraph (i) above, the Company may also seek separate Shareholders’ approval for granting Options beyond the Scheme Mandate Limit to Participants specifically identified by the Company before the aforesaid shareholders’ meeting where such approval is sought. A circular must be sent to Shareholders containing a generic description of the specified Participants, the number and terms of the Options to be granted, the purpose of granting Options to the specified Participants, how the terms of such Options serve such purpose and such other information required by the GEM Listing Rules.
- (v) the total number of Shares issued upon exercise of the Options granted to each Participant (including both exercised and outstanding Options) in any 12-month period must not exceed 1% of the Shares in issue from time to time. Any further grant of Options to such Participant which would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, must be subject to shareholders’ approval with such Participant and his or her associates (as defined in the GEM Listing Rules) abstaining from voting. A circular must be sent to the Shareholders disclosing the identity of the Participant, the number and terms of the Options granted and to be granted and such other information as required under the GEM Listing Rules. The number and terms (including the subscription price) of Options to be granted to such

Participant must be fixed before the shareholders' approval is sought and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(e) *Grant of Options*

Any offer of Options must not be made after a price sensitive development has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been announced pursuant to the requirements of Chapter 16 of the GEM Listing Rules. In particular, no Option may be granted during the period of one month immediately preceding the earlier of:

- (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with Rule 17.48 of the GEM Listing Rules) for the approval of the Company's results for any year, half-year or quarter-year period; and
- (ii) the deadline for the Company to publish its quarterly, interim or annual results announcements under the GEM Listing Rules;

and ending on the date of the results announcement.

(f) *Terms and Conditions of Options*

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during the Option Period but may not be exercised after the expiry of ten years from the Commencement Date. The Board may in the letter containing the offer made to the Participant pursuant to the Share Option Scheme impose restrictions on the exercise of an Option during the Option Period including (but not limited to), if appropriate:

- (i) the minimum period for which all or part of an Option may be exercised;
- (ii) performance targets which must be achieved before the Options can be exercised.

(g) *Grant of Options to connected person*

The grant of Options to a Director, chief executive, management shareholder or substantial shareholder of the Company or any of their respective associates requires the approval of the independent non-executive Directors (excluding an independent non-executive Director who is the Grantee of the Options). Where any grant of Options to a substantial shareholder (as that term is defined in the GEM Listing Rules) or an independent non-executive Director or their respective associates will result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of the grant to exceed:

- (i) in aggregate 0.1% of the Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million,

such grant of Options must be subject to approval by the Shareholders taken on a poll and a circular must be sent to the Shareholders. All connected persons (as defined in the GEM Listing Rules) of the Company must abstain from voting, except that any connected person may vote against the resolution provided that his intention to do so has been stated in the circular to Shareholders seeking their approval.

The abovenamed circular must contain the following:

- (i) details of the number and terms of the Options (including the subscription price) to be granted to each Participant which must be fixed before the relevant approval of the Shareholders and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the Grantee of the Options in question) to the independent shareholders as to voting;
- (iii) information relating to any Directors who are trustees of the Share Option Scheme or have a direct or indirect interest in the trustees; and
- (iv) all other information as required under the GEM Listing Rules.

The requirements for the granting of Options to a Director or chief executive of the Company set out above do not apply where the Participant is only a proposed director or chief executive of the Company.

(h) *Rights are personal to grantee*

An Option is personal to the Grantee and is not assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to any Option.

(i) *Rights on ceasing employment for other reasons*

If the Grantee who is an Employee ceases to be an Employee for any reason other than on his or her death or the termination of his or her employment on one or more of the grounds specified in paragraph (o)(v) below, the Grantee may exercise the Option within three months following the date of cessation up to the Grantee's entitlement at the date of cessation (to the extent not already exercised). The date of cession of employment shall be the last actual working day with the relevant company in the Group whether salary is paid in lieu of notice or not.

(j) *Rights on death*

In the event the Grantee who is an Employee dies before exercising the Option in full and none of certain events which would be a ground for termination of his or her employment under paragraph (o)(v) below arises, the legal personal representative(s) of the Grantee shall be entitled within a period of 12 months from the date of death to exercise the Option up to the entitlement of the Grantee as at the date of death (to the extent not already exercised).

(k) *Effects of alterations to capital*

In the event of any alteration in the capital structure of the Company (by way of capitalization issue, rights issue, sub-division or consolidation of shares or reduction of the capital) whilst any Option remains exercisable, such corresponding alterations (if any) shall be made to give a Grantee the same proportion of the equity capital as that to which that Grantee was previously entitled. In respect of any such adjustments other than those made on a capitalization issue, an independent financial advisor of the Company or the auditors of the Company shall certify in writing to the Board that the adjustments satisfy the requirements of rule 23.03(13) of the GEM Listing Rules and the note thereto. No alteration should be made the effect of which would be to enable a Share to be issued at less than its nominal value or which would change the proportion of the issued share capital of the Company for which any Grantee of an Option is entitled to subscribe pursuant to the Options held by him before such alteration. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(l) *Rights on general offer*

- (i) In the event of a general offer (otherwise than by a scheme of arrangement) being made to all the Shareholders (or all such holders other than the offeror, any person controlled by the offeror and any person acting in association or concert with the offeror) to acquire all or part of the issued Shares and such offer becomes or is declared unconditional prior to the expiry date of the relevant option, the Grantee (or his or her legal personal representatives) shall be entitled to exercise the option in full (to the extent not already exercised even though the Option Period has not come into effect during the occurrence of the general offer) at any time within one month after the date on which the offer becomes or is declared unconditional).
- (ii) In the event of a general offer, by way of scheme of arrangement, being made to all the Shareholders and has been approved by the necessary number of Shareholders at the requisite meetings, the Grantee (or his or her legal personal representatives) may thereafter (but before such time as shall be notified by the Company) exercise the Option (to the extent not already exercised) to its full extent or to the extent specified in such notice.

(m) *Rights on a compromise or arrangement*

Other than a scheme of arrangement contemplated in sub-paragraph (l)(ii) above, in the event of a compromise or arrangement between the Company and its members or creditors being proposed in connection with the scheme for the reconstruction or amalgamation of the Company, the Company shall give notice thereof to all Grantees on the same day as it gives notice of the meeting to its members or creditors to consider such a scheme or arrangement and the Grantee (or his or her personal representatives) may by notice in writing to the Company accompanied by the remittance for the subscription price in respect of the relevant Option (such notice to be received by the Company not later than four business days prior to the proposed meeting) exercise the Option (to the extent not already exercised) either to its full extent or to the extent specified in such notice and the Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the Grantee which falls to be issued on such exercise credited as fully paid and register the Grantee as holder thereof.

(n) *Rights on winding up*

In the event a notice is given by the Company to the Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up the Company, the Company shall forthwith give notice thereof to the Grantee and the Grantee (or his or her legal personal representatives) may by notice in writing to the Company (such notice to be received by the Company not later than four business days prior to the proposed Shareholders' meeting) exercise the option (to the extent not already exercised) either to its full extent or to the extent specified in such notice and the Company shall as soon as possible and in any event no later than the day immediately prior to the date of the proposed Shareholders' meeting, allot and issue such number of Shares to the Grantee which falls to be issued on such exercise.

(o) *Lapse of Option*

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the expiry of the Option Period;
- (ii) the expiry of the periods referred to in paragraphs (i), (j), (n) respectively;
- (iii) subject to the compromise or arrangement becoming effective, the expiry of the period referred to in paragraph (m) above;
- (iv) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in paragraph (l)(ii) above;
- (v) the date on which the Grantee who is an Employee ceases to be an Employee by reason of the termination of his or her employment on the grounds that he or she has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his or her debts or has become bankrupt or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or on any other ground on which an employer would be entitled to terminate his or her employment summarily;
- (vi) the date of the commencement of the winding-up of the Company;
- (vii) the date on which the Grantee sells, transfers, charges, mortgages, encumbers or creates any interest in favour of any other person over or in relation to any Option in breach of the Share Option Scheme;
- (viii) the expiry of the period referred to in paragraph (l)(i) provided that if any court of competent jurisdiction makes an order the effect of which is to prevent the offeror from acquiring Shares in the offer, the relevant period within which Options may be exercised shall not begin to run until the discharge of the order in question or unless the offer lapses or is withdrawn before that date; and
- (ix) the occurrence of such event or expiry of such period as may have been specifically provided for in the Offer (if any), unless otherwise resolved to the contrary by the Board.

(p) *Ranking of Shares*

The Shares to be allotted and issued upon the exercise of an Option will be subject to the Company's memorandum of association and bye-laws is amended from time to time, and will rank *pari passu* with the fully paid Shares in issue on the date of exercise of the Option and in particular will rank in full for all dividends or other distributions declared paid or made on or after the date of exercise of the Option other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor is before the date of exercise of the Option.

Unless the context otherwise requires, references to "Shares" in the Share Option Scheme include references to shares in the Company of any such nominal amount as shall result from a sub-division consolidation, reclassification or reconstruction of the share capital of the Company from time to time.

(q) *Cancellation of Options granted*

Any Options granted but not exercised may be cancelled if the Grantee so agrees. If such cancellation has been approved by Shareholders of the Company in general meeting, Options may be re-issued provided that the re-issued Options shall only be granted in compliance with the terms of the Share Option Scheme and within the Scheme Mandate Limit (as defined in paragraph (d) above) (as refreshed from time to time).

(r) *Period of Share Option Scheme*

The Share Option Scheme will remain valid for a period of 10 years commencing from the Listing Date (save that the Company, by ordinary resolution in general meeting or Board may at any time terminate the operation of the Share Option Scheme). After termination, no further Options will be granted but the provisions of the Share Option Scheme shall in all other respects remain in full force and effect and Options which are granted during the life of the Share Option Scheme and remain unexpired may continue to be exercisable in accordance with their terms of issue.

(s) *Alteration to Share Option Scheme*

- (A) The Share Option Scheme may be altered in any respect by a resolution of the Board, save that the provisions of the Share Option Scheme relating to matters contained in Rule 23.03 of the GEM Listing Rules shall not be altered to the advantage of Participants and Grantees except with the prior approval of the Shareholders in general meeting.
- (B) Any alteration to the terms and conditions of the Share Option Scheme, which is of a material nature or any change to the terms of Options granted, shall be approved by the Shareholders, save where such alteration takes effect automatically under the existing terms of the Share Option Scheme.
- (C) Any change to the authority of the Board in relation to any alternation to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting.

(t) *Termination of the Share Option Scheme*

The Company by ordinary resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further Options will be offered or granted but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect. Options complying with the provisions of Chapter 23 of the GEM Listing Rules which are granted during the life of the Share Option Scheme and remain unexpired immediately prior to the termination of the operation of the Share Option Scheme shall continue to be exercisable in accordance with their terms of issue after the termination of the Share Option Scheme.

(u) *Conditions of the Share Option Scheme*

The Share Option Scheme is conditional on:

- (i) the GEM Listing Committee granting approval of the listing of and permission to deal in any Shares to be issued pursuant to the exercise of Options (subject to an initial limit of 10% of the Shares in issue, or 78,000,000 Shares, on the Listing Date), and
- (ii) the commencement of dealings in the Shares on GEM.

Present status of the Share Option Scheme

As at the date of his prospectus, no option has been granted or agreed to be granted. Application has been made to the GEM Listing Committee for the approval of the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of options under the Share Option Scheme.

15. Sotas Option

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 represents part of the terms of the original shareholders' loan agreement dated 25th January, 2002.

The Sotas Option entitles the holder thereof to purchase 504,870 Shares at an aggregate exercise price of US\$600,000 (equivalent to HK\$4,680,000), with an option period of 36 months commencing from the Listing Date and is exercisable upon 10 days prior written notice.

OTHER INFORMATION

Estate duty and tax indemnity

Raymond Neoh, Anthony Neoh and Upflow Holdings Limited ("Indemnifiers") have each given joint and several indemnities (the document referred to in sub-paragraph (l) of the paragraph headed "Summary of material contracts" in this appendix V) in connection with, inter alia, any liability for Hong Kong estate duty which might be payable by any member of the Group, by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong)) to any

member of the Group; and any taxation and penalty which might be payable by any member of the Group in respect of any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring up to the date on which the New Issue becomes unconditional, save:

- (i) to the extent that provision has been made for such taxation or claims in the unaudited management accounts of GDC China Limited, GDC Entertainment Limited and GDC Technology Limited for the year ended 31st December, 2000 and 2001, the audited accounts of GDC Technology Pte Limited for the year ended 31st December, 2001, the audited accounts of IDMT for the years ended 31st December, 2000 and 2001, the unaudited management accounts of the Group for the period from 1st January, 2002 to 31st August, 2002 and any previous audited accounts of any member of the Group (“Accounts”);
- (ii) the liability for such taxation which would not have arisen but for any act or omission by any member of the Group voluntarily effected without the prior written consent or agreement of the Indemnifiers (such consent or agreement not to be unreasonably withheld or delayed), otherwise than in the ordinary course of business before the date of the New Issue or carried out, made or entered into pursuant to a legally binding commitment created on or before the date of the New Issue;
- (iii) the liability for which any member of the Group is primarily liable as a result of transactions in the ordinary course of normal day-to-day operations;
- (iv) to the extent that such taxation or claim arises or is incurred as a consequence of any retrospective change in the law or practice coming into force after 31st December, 2002 or to the extent such taxation arises or is increased by an increase in rates of taxation after the date that the New Issue becomes unconditional with retrospective effect;
- (v) to the extent that such taxation or liability is discharged by another person and that members of the Group are not required to reimburse such person in respect of the discharge of the taxation or liability; and
- (vi) to the extent of any provision or reserve for taxation in the Accounts which is finally established to be an over-provision or an excessive reserve in which case the Indemnifiers’ liability (if any) in respect of taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provisions or reserve applied pursuant to this clause to reduce the Indemnifier’s liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Litigation

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

Sponsor

The Sponsor has made an application on behalf of the Company to the GEM Listing Committee of the Stock Exchange for listing of, and permission to deal in, all the Shares in issue, the Shares to be issued as mentioned herein and any Shares which may fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

An associate of the Sponsor and the Lead Manager received finder’s fees on funds raised via the New Issue and Pre-Listing Investors at the rate of 3.75%.

Preliminary expenses

The preliminary expenses of the Company are estimated to be approximately US\$6,000 (equivalent to approximately HK\$46,800), and are payable by the Company.

Promoter

The promoter of the Company is Mr. Raymond Neoh. Save as disclosed in this prospectus, no cash, securities or other benefit has been paid, allotted or given to the promoter in connection with the New Issue or related transactions described in this prospectus within the two years preceding the date of this prospectus.

Qualification of experts

The following are the qualifications of the experts who have given opinions or advice which and contained in this prospectus:

Experts	Qualifications
Asia Investment Capital	a deemed licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO and an approved sponsor for listing on GEM
PricewaterhouseCoopers	Certified Public Accountants
Conyers Dill & Pearman	Bermuda barristers and attorneys
Grant Sherman Appraisal Limited	Professional valuers
Zhong Zi Law Office	PRC lawyers

Consents of experts

Each of Asia Investment Capital, PricewaterhouseCoopers, Conyers Dill & Pearman, Grant Sherman Appraisal Limited and Zhong Zi Law Office has given and has not withdrawn its respective written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or opinion (as the case may be) and/or the references to its name included herein in the form and context in which it is respectively included.

Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies Ordinance so far as applicable.

Miscellaneous

Save as disclosed in this prospectus:

- (a) within the two years preceding the date of this prospectus, no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
- (b) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (c) no founders, management or deferred Shares of the Company have been issued or agreed to be issued;
- (d) within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been paid or granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries;
- (e) save for the finder's fees (representing an arranger's fee) paid to an associate of the Sponsor and the Lead Manager in respect of the investments from the Pre-Listing Investors, within the two years preceding the date of the prospectus, no commission has been paid or payable (not including commission to sub-underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares in or debentures of the Company;
- (f) there has not been any interruption in the business of the Group which may have or have had a significant effect on the financial position of the Group in the 24 months preceding the date of this prospectus;
- (g) there has been no material adverse change in the financial position or prospects of the Group since 31st January, 2003 (being the date to which the latest audited combined financial statements of the Group were made up);
- (h) no convertible debt securities have been issued or agreed to be issued;
- (i) no securities of the Company is listed or proposed to seek listing in any other stock exchange;
- (j) none of Asia Investment Capital, PricewaterhouseCoopers, Conyers Dill & Pearman, Grant Sherman Appraisal Limited and Zhong Zi Law Office:
 - (i) is interested beneficially or non-beneficially in any shares in any members of the Group; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any members of the Group or is an officer or servant or a partner of or an employee of or officer or servant of any member of the Group;
- (k) All necessary arrangements have been made to enable the Shares to be admitted into CCASS; and
- (l) the New Issue does not involve any sale shares.