

IMPORTANT

If you are in any doubt as to any aspect of this circular, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in New World TMT Limited, you should at once hand this circular to the purchaser or the transferee or to the bank or stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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



新世界信息科技有限公司*
New World TMT Limited
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 301)

DISCLOSEABLE AND CONNECTED TRANSACTIONS

RELATING TO

BEIJING XINTONG MEDIA & CULTURAL DEVELOPMENT CO. LTD.

Independent Financial Adviser to the Independent Board Committee

COMMERZBANK 
COMMERZBANK AG Hong Kong Branch

A letter from the Board is set out on pages 3 to 8 of this circular. A letter from the Independent Board Committee is set out on page 9 of this circular. A letter from Commerzbank containing its advice to the Independent Board Committee is set out on pages 10 to 16 of this circular.

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DEFINITIONS

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

“Agreements”	the Tian’s Agreement, the Hainan Agreement and the Capital Increase Agreement
“associate”	has the meaning ascribed to it under the Listing Rules
“Beijing Xintong”	北京信通傳之媒文化發展有限公司 (Beijing Xintong Media & Cultural Development Co. Ltd.), a company incorporated in the PRC and an indirect subsidiary of the Company
“Board”	The board of directors of the Company
“Capital Increase Agreement”	the agreement dated 5 July 2004 entered into between NWIC and Mr. Tian regarding the increase in registered capital of Beijing Xintong
“Commerzbank”	Commerzbank AG through its Hong Kong Branch, the independent financial adviser to the Independent Board Committee in relation to the Transactions
“Company”	New World TMT Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Hainan Agreement”	the share transfer agreement dated 5 July 2004 entered into between NWIC and Hainan Company
“Hainan Company”	海南曉越文化發展有限公司 (Hainan Xiao Yue Cultural Development Co. Ltd.), a company incorporated in the PRC with limited liability and is wholly owned by Mr. Tian’s spouse and son
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“Independent Board Committee”	an independent committee of the board of directors of the Company comprising Mr. Lai Hing-Chiu, Dominic and Dr. Lam Man-Kit, Dominic established to review and consider the Transactions
“Latest Practicable Date”	20 July 2004, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers
“Mr. Tian”	Mr. Tian Tao, a director and a substantial shareholder of Beijing Xintong
“NWCL”	New World China Land Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
“NWD”	New World Development Company Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“NWIC”	New World Infrastructure (China) Investment Limited, a wholly foreign owned enterprise incorporated in the PRC and a wholly owned subsidiary of the Company
“NWSH”	NWS Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“PRC”	the People’s Republic of China
“RMB”	Renminbi yuan, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tian’s Agreement”	the share transfer agreement dated 5 July 2004 entered into between NWIC and Mr. Tian
“Transactions”	the transactions under the Tian’s Agreement, the Hainan Agreement and the Capital Increase Agreement

In this circular, except as otherwise indicated, RMB has been translated into HK\$ at the rate of HK\$1.00 = RMB1.07 for reference purpose.

LETTER FROM THE BOARD

**NEW
WORLD
TMT**

新世界信息科技有限公司*

New World TMT Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 301)

Directors:

Executive Directors:

Dr. CHENG Kar-Shun, Henry (*Chairman*)

Mr. WONG Chi-Chiu, Albert (*Chief Executive Officer*)

Dr. WAI Fung-Man, Norman

Non-executive Directors:

Mr. FU Sze-Shing

Mr. KAFFENBERGER, Wilfried Ernst

Mr. LEE Sean, Sammy

Mr. YEUNG Kun-Wah, David

(*alternate director to Mr. KAFFENBERGER,
Wilfried Ernst*)

Independent Non-executive Directors:

Mr. LAI Hing-Chiu, Dominic

Dr. LAM Man-Kit, Dominic

Registered office:

P.O. Box 309

Ugland House

South Church Street

George Town

Grand Cayman

Cayman Islands

British West Indies

**Head office and principal
place of business in
Hong Kong:**

21st Floor, Office Tower

Convention Plaza

1 Harbour Road

Wanchai

Hong Kong

26 July 2004

To the shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS
RELATING TO
BEIJING XINTONG MEDIA & CULTURAL DEVELOPMENT CO. LTD.**

INTRODUCTION

On 5 July 2004, the Board announced that NWIC entered into the Tian's Agreement and the Hainan Agreement with Mr. Tian and Hainan Company respectively, pursuant to which NWIC has conditionally agreed to purchase, in aggregate, a further 19.1% interest in the registered capital of Beijing Xintong for a total consideration of RMB21,030,000 (approximately HK\$19,654,000) from Mr. Tian and Hainan Company.

* For identification purposes only

LETTER FROM THE BOARD

On the same day, NWIC and Mr. Tian entered into the Capital Increase Agreement pursuant to which the registered capital of Beijing Xintong will, conditional upon the completion of the Tian's Agreement and the Hainan Agreement, increase from RMB30,000,000 (approximately HK\$28,037,000) to RMB100,000,000 (approximately HK\$93,458,000), and such increase of RMB70,000,000 (approximately HK\$65,421,000) in the registered capital of Beijing Xintong will be contributed as to RMB49,070,000 (approximately HK\$45,860,000) by NWIC and as to RMB20,930,000 (approximately HK\$19,561,000) by Mr. Tian and is in proportion to the then percentage of shareholding in Beijing Xintong held by NWIC and Mr. Tian. The Capital Increase Agreement is also subject to the approvals by the relevant PRC governmental authorities.

Completion of the Tian's Agreement and the Hainan Agreement is conditional upon satisfaction of certain conditions set out in the subsection entitled "Conditions Precedent of each of the Tian's Agreement and the Hainan Agreement" below.

Completion of the Capital Increase Agreement is conditional upon the completion of the Tian's Agreement and the Hainan Agreement, and the approvals by the relevant PRC governmental authorities.

Prior to the Transactions, Beijing Xintong is owned as to 51% by NWIC, 30% by Mr. Tian and 19% by Hainan Company (a company wholly owned by Mr. Tian's spouse and son). Accordingly, the Transactions constitute connected transactions for the Company under the Listing Rules and are subject to the approval of the shareholders of the Company. In addition, the Transactions in aggregate constitute discloseable transactions for the Company under the Listing Rules.

The Independent Board Committee, comprising Messrs. Lai Hing-Chiu, Dominic and Lam Man-Kit, Dominic has been formed to consider the Transactions. An independent financial adviser, Commerzbank, has been appointed to advise the Independent Board Committee.

The purpose of this letter and other parts of this circular of which this letter forms part is to provide you with information relating to the details of the Transactions and to set out the recommendation from the Independent Board Committee as well as the advice from Commerzbank.

LETTER FROM THE BOARD

THE TRANSACTIONS

(A) The Tian's Agreement and the Hainan Agreement

1. *The Tian's Agreement*

Date: 5 July 2004

Parties: (i) NWIC
(ii) Mr. Tian

Subject matter: NWIC has conditionally agreed to purchase 0.1% interest in the registered capital of Beijing Xintong from Mr. Tian.

Consideration: RMB30,000 (approximately HK\$28,000), to be paid in cash (which will be funded by the Group's internal resources) within 5 business days upon satisfaction of all the conditions precedent set out below.

2. *The Hainan Agreement*

Date: 5 July 2004

Parties: (i) NWIC
(ii) Hainan Company

Subject matter: NWIC has conditionally agreed to purchase 19% interest in the registered capital of Beijing Xintong from Hainan Company.

Consideration: RMB21,000,000 (approximately HK\$19,626,000), to be paid in cash (which will be funded by the Group's internal resources) within 5 business days upon satisfaction of all the conditions precedent set out below.

3. *Conditions Precedent of each of the Tian's Agreement and the Hainan Agreement*

- (a) the due execution of the agreement by the parties to the agreement;
- (b) the obtaining of the approval of the agreement by the shareholders of the Company as required under Chapter 14A of the Listing Rules;
- (c) the obtaining of other shareholders' waiver of pre-emptive rights for the subject matter under the agreement;

LETTER FROM THE BOARD

- (d) the obtaining of the approvals of the agreement by the relevant PRC governmental authorities; and
- (e) the filing and registration of the agreement with, and the obtaining of the approval by 北京市工商行政管理局 (Beijing Administration for Industry and Commerce).

It is expected that all the above conditions will be satisfied approximately within one month from the date of the agreements.

(B) The Capital Increase Agreement dated 5 July 2004

Pursuant to the Capital Increase Agreement, NWIC and Mr. Tian have agreed that conditional upon the completion of the Tian's Agreement and the Hainan Agreement, the registered capital of Beijing Xintong will increase from RMB30,000,000 (approximately HK\$28,037,000) to RMB100,000,000 (approximately HK\$93,458,000), and such increase of RMB70,000,000 (approximately HK\$65,421,000) in the registered capital of Beijing Xintong will be contributed as to RMB49,070,000 (approximately HK\$45,860,000) by NWIC and as to RMB20,930,000 (approximately HK\$19,561,000) by Mr. Tian and is in proportion to the then percentage of shareholding in Beijing Xintong held by NWIC and Mr. Tian.

The Capital Increase Agreement is also subject to the approvals by the relevant PRC governmental authorities.

The contribution from NWIC will be funded by the Group's internal resources.

INFORMATION ON BEIJING XINTONG

Beijing Xintong commenced its business in October 2001 and is now principally engaged in the provision of billboard advertising and advertising agency services, and business consultancy services in the PRC. Prior to the Transactions, NWIC acquired 51% of the registered capital of Beijing Xintong from Mr. Tian and others (who, together with Mr. Tian, were at that time independent third parties not connected with any of the directors, chief executive and substantial shareholders of the Company and its subsidiaries or any of their respective associates) in January 2002.

Prior to the Transactions, Beijing Xintong is an indirect subsidiary of the Company with fully paid-up registered capital of RMB30,000,000 (approximately HK\$28,037,000) and is owned as to 51%, 30% and 19% by NWIC, Mr. Tian and Hainan Company respectively.

The audited profit before and after taxation and extraordinary items of Beijing Xintong for the year ended 31 December 2003 were RMB20,363,000 (approximately HK\$19,031,000) and RMB20,071,000 (approximately HK\$18,758,000) respectively, compared to RMB2,682,000 (approximately HK\$2,507,000) and RMB1,263,000 (approximately HK\$1,180,000) respectively for the year ended 31 December 2002. The audited net asset value of Beijing Xintong as at 31 December 2003 was RMB49,996,000 (approximately HK\$46,725,000).

LETTER FROM THE BOARD

INFORMATION ON THE COMPANY

The Company is principally engaged in the development, investment, operation and/or management of telecommunications, media and technology businesses in Hong Kong and the PRC.

REASONS FOR THE TRANSACTIONS

Upon completion of the Transactions, the Company's indirect interest in the registered capital of Beijing Xintong will increase from 51% to 70.1%.

The total consideration of RMB21,030,000 (approximately HK\$19,654,000) for the 19.1% interest in the registered capital of Beijing Xintong has been arrived at after arm's length negotiation between the relevant parties and with reference to the 2003 profit of Beijing Xintong.

The proposed increase in the registered capital of Beijing Xintong is to provide additional working capital for the development of its current businesses. Beijing Xintong has planned to expand the geographical coverage of its advertising agency services and increase investment in media assets. The amount of increment was arrived at after arm's length negotiation between NWIC and Mr. Tian and having taken into consideration the capital requirement of Beijing Xintong.

The Directors believe that the Transactions are in line with the Company's business strategy and will further enhance the Group's profit generating ability. As Beijing Xintong is a consolidating subsidiary of the Group, the Transactions are expected to increase earnings of the Group approximately to the extent of 19.1% of the profit of Beijing Xintong from the interest additionally acquired. With the Transactions funded by internal resources, there will be no significant impact on the Group's assets and liabilities position.

Also, the Directors (including the independent non-executive Directors) are of the view that the terms of the Transactions are on normal commercial terms and are fair and reasonable and in the interests of the shareholders of the Company as a whole.

DISCLOSEABLE AND CONNECTED TRANSACTIONS

Mr. Tian, being a substantial shareholder owning 30% interest in the registered capital of Beijing Xintong and director of most of the subsidiaries of Beijing Xintong, is a connected person of the Company under the Listing Rules.

Hainan Company, which is owned by Mr. Tian's spouse and son, is an associate of Mr. Tian under the Listing Rules.

Apart from the Beijing Xintong group of companies, Mr. Tian and his associates are not otherwise connected with any of the directors, chief executive and substantial shareholders of the Company and NWD and their subsidiaries or any of their respective associates.

LETTER FROM THE BOARD

Accordingly, the Transactions constitute connected transactions for the Company under the Listing Rules and are subject to the approval of the shareholders of the Company.

Given the aggregate value of the Transactions, the Transactions in aggregate also constitute discloseable transactions for the Company under the Listing Rules.

SHAREHOLDERS' APPROVAL

As NWD is not interested in the Transactions, the Stock Exchange has granted a waiver to the Company from the requirement to obtain shareholders' approval at an extraordinary general meeting for the Transactions on the basis that, NWD (through its wholly owned subsidiary), with an interest in more than 50% of the issued share capital of the Company, had confirmed in writing that it approved the Transactions.

RECOMMENDATIONS

The text of a letter to the Company's shareholders from the Independent Board Committee containing its recommendation is set out on page 9 of this circular. Having considered the advice from Commerzbank in relation to the Transactions, which is set out on pages 10 to 16 of this circular, the Independent Board Committee is of the opinion that the Transactions are in the best interest of the Company and its shareholders, and the terms thereof are fair and reasonable so far as the Company's shareholders are concerned.

ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the following sections of this circular:

- (i) Letter from Independent Board Committee;
- (ii) Letter from Commerzbank;
- (iii) General information of the Company set out in Appendix to this circular.

Yours faithfully,
Dr. CHENG Kar-Shun, Henry
Chairman



新世界信息科技有限公司*
New World TMT Limited
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 301)

26 July 2004

To the shareholders of the Company

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS
RELATING TO
BEIJING XINTONG MEDIA & CULTURAL DEVELOPMENT CO. LTD.**

INTRODUCTION

We refer to the circular dated 26 July 2004 issued by the Company (the "**Circular**") of which this letter forms part. Terms defined in the Circular have the same meanings when used in this letter.

We have been appointed as members of the Independent Board Committee to advise you as to whether, in our opinion, the Transactions and the terms of the Agreements are fair and reasonable so far as the shareholders of the Company are concerned.

The Transactions and the terms of the Agreements are summarized in the "Letter from the Board" set out on pages 3 to 8 of the Circular. In addition, the Independent Board Committee has been advised by Commerzbank in considering the Transactions. You are strongly urged to read Commerzbank's letter to the Independent Board Committee, which is set out on pages 10 to 16 of the Circular.

RECOMMENDATION

As the Independent Board Committee, we have discussed with the management of the Company the reasons for the Transactions. We also understand the basis upon which Commerzbank's advice has been given to the Independent Board Committee.

Taking into account the advice of Commerzbank, the Independent Board Committee considers that the Transactions as described in "Letter from the Board" in the Circular are in the best interest of the Company and the Company's shareholders, and the terms of the Agreements are fair and reasonable so far as the Company's shareholders are concerned.

Yours faithfully,
Independent Board Committee
LAI Hing-Chiu, Dominic and **Dr. LAM Man-Kit, Dominic**
Independent non-executive Directors

* For identification purposes only

LETTER FROM COMMERZBANK

COMMERZBANK 

(Public Limited Company Incorporated in the Federal Republic of Germany)

HONG KONG BRANCH

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26 July 2004

*To the Independent Board Committee
New World TMT Limited*

Dear Sir or Madam

DISCLOSEABLE AND CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee in respect of the Transactions. Details of the Transactions, amongst other things, are set out in the circular dated 26 July 2004 (the "**Circular**") of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context requires otherwise.

On 5 July 2004, the board of directors of the Company announced (the "**Announcement**") that NWIC entered into the Tian's Agreement and Hainan Agreement with Mr. Tian and Hainan Company respectively in connection with the proposed purchase by NWIC a further 19.1% interest in the registered capital of Beijing Xintong from Mr. Tian and Hainan Company (the "**Acquisition**").

The Transactions constitutes a discloseable and connected transaction for the Company under the Listing Rules and requires the approval of the independent shareholders of the Company at a general meeting. New World Development Company Limited, the ultimate controlling shareholder of the Company with an interest in more than 50% of the issued share capital of the Company, is not interested in the Transactions other than through its shareholding in the Company, is permitted to vote on the Transactions and has agreed to give its written approval for the Transactions. The Company has applied to the Stock Exchange for a waiver from the requirement under the Listing Rules for the Company to hold a shareholders' meeting to approve the Transactions and have been informed by the Company that such waiver has been granted.

Our role as the independent financial adviser to the Independent Board Committee and shareholders is to give our opinion as to whether the terms of the Transactions are fair and reasonable so far as the Company and the shareholders of the Company are concerned.

LETTER FROM COMMERZBANK

In formulating our recommendation, we have relied on the information and facts supplied to us by the Company. We have assumed that all information, opinions and representations contained or referred to in the Circular are true, complete and accurate and we have relied on the same. Also, we have also relied on the representations of the Company that having made all due enquiries and careful decisions, and to the best of their knowledge and belief, there is no other fact or representation or the omission of which would make any statement contained in the Circular, including this letter, misleading. We have also assumed that all information and statements and representations made or referred to in the Circular, which have been provided to us by the Company, and for which they are wholly responsible, are true, complete and accurate at the time they were made and continue to be so at the date of despatch of the Circular.

We consider that we have reviewed sufficient information to enable us to reach an informed view regarding the terms of the Transactions and to provide us with a reasonable basis for our recommendation. We have no reason to suspect that any material facts have been omitted or withheld, nor are we aware of any facts or circumstances, which would render the information and the representations made to us untrue, inaccurate or misleading. We have not, however, carried out any independent verification of the information provided by the Company, nor have we conducted any independent in-depth investigation into the business and affairs of the Group.

THE TRANSACTIONS

On 5 July 2004, NWIC has conditionally agreed to purchase (i) 0.1% interest in the registered capital of Beijing Xintong from Mr. Tian for a consideration of RMB30,000 (equivalent to approximately HK\$28,000); and (ii) 19% interest in the registered capital of Beijing Xintong from Hainan Company for a consideration of RMB21,000,000 (equivalent to approximately HK\$19,626,000), in cash, upon satisfaction of the conditions precedent as set out in the letter from the Board (the "**Letter from the Board**"). The aggregate consideration of RMB21,030,000 (equivalent to approximately HK\$19,654,000) for the Tian's Agreement and the Hainan Agreement (the "**Consideration**") will be funded by the Group's internal resources.

In addition, pursuant to the Capital Increase Agreement, upon completion of the Acquisition, the registered capital of Beijing Xintong will increase from RMB30,000,000 (equivalent to approximately HK\$28,037,000) to RMB100,000,000 (equivalent to approximately HK\$93,458,000). Such increase of RMB70,000,000 (equivalent to approximately HK\$65,421,000) will be contributed by NWIC and Mr. Tian in proportion with their then existing equity interest in Beijing Xintong.

LETTER FROM COMMERZBANK

PRINCIPAL FACTORS CONSIDERED

In assessing the Transactions and giving our independent financial advice to the Independent Board Committee, we have taken into account the following principal factors:

1. Reasons for and benefits of the Acquisition

As set out in the Letter from the Board, the Company is beneficially interested in 51% equity interest in Beijing Xintong. The Board considers that the Acquisition is beneficial for the Company for the following reasons:

- The Company is principally engaged in the development, investment, operation, and/or management of telecommunications, media and technology businesses in Hong Kong and the PRC and the Acquisition is in line with the Company's business strategy.
- Beijing Xintong, principally engaged in the provision of billboard advertising and advertising agency services in Beijing, the PRC. The Directors believed that the Acquisition further enhances the Group's profit generating ability and broaden the revenue base of the Group.
- The Transactions provide the Group an opportunity to acquire a growing business with established presence in Beijing, with significant commercial advertising opportunities attracted by the PRC's continue economic growth and in hosting of the 2008 Olympic Games in Beijing.

We have reviewed industry reports in connection with the prospects of outdoor media advertising industry in the PRC. We note that although outdoor advertisement market is very fragmented in the PRC, the location of asset is important as most of the "hot spot" for major cities have already been taken, which creates entry barriers for new entrants or competitors. Accordingly to The State Administration for Industry and Commerce in the PRC (國家工商行政管理局), total advertising spending in the PRC amounted to RMB107 billion (equivalent to approximately HK\$100 billion) in 2003, representing an approximately 18% year-on-year growth. Moreover, we note that Beijing is amongst the top five cities in advertising spending in 2003, with an approximately 39% year-on-year growth in terms of advertising spending.

2. Reasons for and benefit for the Capital Increase Agreement

As set out in the Announcement, NWIC and Mr. Tian have agreed that conditional upon the completion of the Acquisition, the registered capital of Beijing Xintong will increase from RMB30,000,000 (equivalent to approximately HK\$28,037,000) to RMB100,000,000 (equivalent to approximately HK\$93,458,000). Such increase of RMB70,000,000 (equivalent to approximately HK\$65,421,000) will be contributed by NWIC and Mr. Tian in proportion with their then existing equity

LETTER FROM COMMERZBANK

interest in Beijing Xintong. In this connection, NWIC shall contribute RMB49,070,000 (equivalent to approximately HK\$45,860,000), which contribution will be funded by the Group's internal resources.

We have discussed and understand from the Directors that the proposed increase in the registered capital of Beijing Xintong is to provide additional working capital for the development of its current business. We note that Beijing Xintong either (i) acquired operating rights for advertising spaces from their owners in advance prior to soliciting advertisers for the advertising spaces; or (ii) usually for more expensive advertising space, to secure a definite advertiser prior to committing on an advertising space. In view of the growing demand for billboard advertising businesses in the PRC, the Directors are of the view that it is beneficial for Beijing Xintong to have sufficient working capital for business expansion as and when operating rights for prime location for advertising spaces are available.

We have reviewed recent industry reports and market statistics in connection with advertising spending in the PRC. We note that advertising spending is highly correlated to the economic activities in the PRC, and given the sustained growth of the PRC's economy in the next few years, we concur with the views of the Directors on the potential business opportunity in the advertising industry in the PRC.

3. Consideration

We note from the Letter from the Board that the Consideration was determined after arm's length negotiations between the parties and with reference to the 2003 profit of Beijing Xintong.

In assessing the fairness and reasonableness of the Consideration, we have made references to (i) the price-to-earning (the "**P/E**") ratio; and (ii) the enterprise value (the "**EV**") to earning before interest, tax, depreciation and amortisation (the "**EBITDA**") (the "**EV/EBITDA**") which, in our view, are commonly used valuation multiples for advertising and related companies. We have performed analysis of the PE ratio and EV/EBITDA multiple on four listed companies on the Stock Exchange which are engaged in advertising sales and agencies business in the PRC (the "**Comparable Companies**"), which in our view, are broadly comparable to Beijing Xintong.

The Consideration implies a P/E ratio of 5.5 times based on the audited net profit of approximately RMB20,071,000 (equivalent to approximately HK\$18,758,000) for the year ended 31 December 2003 prepared by a qualified PRC accounting firm in accordance with the PRC generally accepted accounting principles. Based on the closing prices of the Comparable Companies as at 5 July 2004 (date of the Tian's Agreement and the Hainan Agreement), the P/E ratios of the Comparable Companies ranged from approximately 12.1 times to 36.2 times, with an average of approximately 25.8 times.

LETTER FROM COMMERZBANK

The implied EV/EBITDA for the Acquisition is 3.8 times based on the EV of Beijing Xintong of approximately RMB79.7 million (equivalent to approximately HK\$74.5 million) and EBITDA of approximately RMB21.3 million (equivalent to approximately HK\$20 million) as at 31 December 2003. The EV of Beijing Xintong, which is the sum of Consideration to be paid and being grossed up to 100% plus the amount of net debt in Beijing Xintong as at 31 December 2003. Based on the closing prices of the Comparable Companies as at 5 July 2004, the EV/EBITDA ratios of the Comparable Companies ranged from approximately 6.0 times to 22.2 times with an average of approximately 15.2 times.

Given that the PE ratios and EV/EBITDA ratios implied by the Consideration are well below the range of the Comparable Companies, we are of the view that the Consideration is fair and reasonable so far as the interests of the Company and the shareholders are concerned.

Comparable Companies	Bloomberg code	P/E (x)	EV/EBITDA (x)
Clear Media Ltd	100 HK	36.2	14.2
SEEC Media Group	205 HK	29.2	18.2
Media Partners	8072 HK	N/A*	22.2
International Holdings Inc			
Nanjing Advertising	8243 HK	12.1	6.0
Outdoor Media Co Ltd			
Average		25.8	15.2
The Consideration		5.5	3.8

* *P/E ratio not applicable, as the company was loss making*

4. Funding for the Acquisition

We understand from the Directors that the Consideration and the subsequent capital contribution of approximately RMB49,070,000 (equivalent to approximately HK\$45,860,000) will be funded entirely by the Group's internal resources.

We have discussed with the Directors and note that they are of the view that based on the latest financial position of the Group and the expected cashflow to be derived from its existing operations, the Group will be able to finance the Acquisition and the subsequent capital contribution entirely from internal resources. Based on the Company's interim report for the six months ended 31 December 2003, we note that the Group had cash and cash equivalents of approximately HK\$529 million (free cash of HK\$82 million and pledged deposits of HK\$447 million). The Directors have confirmed to us that the current free cash has increased since the Company's interim report dated 31 December 2003 with cash inflow from normal business operations, recovery from investments and loan receivable, and are of the view that the Transactions can be financed entirely from internal

resources. Given the information provided to us, our discussions with the Directors and the bases and assumptions upon which the Directors have relied in arriving at such view, we consider that such view is fair and reasonable.

5. Financial impact of the Transactions

(a) Earnings

Beijing Xintong is owned as to 51% by NWIC which is wholly owned by the Group. The financial statements of Beijing Xintong will be consolidated in the financial statements of the Group. Beijing Xintong reported an audited net profit for the year ended 31 December 2003 of approximately RMB20,071,000 (equivalent to approximately HK\$18,758,000) based on the 2003 audited accounts prepared in accordance with the PRC generally accepted accounting principles. The Group's consolidated profit and loss account would be improved as the Group's consolidated loss will decrease for the year following the Transactions if the Group consolidates the financial statement of Beijing Xintong (the Group had consolidated loss of HK\$270 million for the six months ended 31 December 2003 based on the unaudited interim report as at 31 December 2003).

(b) Net assets value

According to the interim report as at 31 December, 2003, the Group had net assets of approximately HK\$6,818 million at 31 December, 2003. The Consideration and the capital contribution totalling RMB70,100,000 (equivalent to approximately HK\$65,514,000) represents less than 1% of the net assets of the Group. The Group has confirmed that the Transactions will not have any material effect on the consolidated net assets of the Group.

(c) Gearing and working capital

As the aggregate Consideration and capital contribution of RMB70,100,000 (approximately HK\$65,514,000) will be financed entirely by internal resources of the Group, there will be no need for external financing and there will be no significant effect on the debt and gearing level of the Group following the Transactions.

The Consideration and the capital contribution of RMB70,100,000 (approximately HK\$65,514,000) represents approximately 3% of the Group's current assets of approximately HK\$2,010 million as at 31 December 2003. The Directors is of the opinion that, after taking into account the working capital requirements and expected cashflows, and in the absence of significant capital commitment, the Group will have sufficient working capital for its requirements.

LETTER FROM COMMERZBANK

OVERALL ADVICE

In conclusion, the Company anticipates growth in the business opportunity in the advertisement market in the PRC and the economic growth of the PRC will remain strong. Given the opportunity to acquire additional equity interest in Beijing Xintong, which is already a profitable company, we consider the Consideration to be fair and reasonable. In view of the benefits of the Transactions, we consider the Transactions to be fair and reasonable and is in the interests of the Company and shareholders as a whole.

Yours faithfully,
For and on behalf of

Commerzbank AG Hong Kong Branch

Johnson Fu

Regional Head of Corporate Finance

Helen Ho

Head of Corporate Finance – M&A Advisory

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

DIRECTORS' DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares (within the meaning of Part XV of the SFO) or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be: (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(A) The Company*Long positions in shares*

Name of Director	Number of shares held			Approximate percentage of issued share capital of the Company as at the Latest Practicable Date
	Personal interests	Family interests	Total	
Dr. Cheng Kar-Shun, Henry	-	1,000,000	1,000,000	0.11

Long positions in underlying shares – share options

Name of Director	Grant date	Number of share options outstanding with exercise price per share of	
		HK\$10.20 ⁽¹⁾	HK\$12.00 ⁽²⁾
Mr. Fu Sze-Shing	23 September 1999	240,000	960,000

Notes:

- (1) Exercisable from 1 July 2000 to 1 June 2005.
- (2) Divided into 3 tranches exercisable from 1 July 2001 to 1 June 2005, from 1 July 2002 to 1 June 2005 and from 1 July 2003 to 1 June 2005 respectively.

(B) Associated Corporations**NWSH**

Long positions in shares of NWSH

Name of Director	Number of shares held			Approximate percentage of issued share capital of NWSH as at the Latest Practicable Date
	Personal interests	Family interests	Total	
Dr. Cheng Kar-Shun, Henry	1,000,000	587,000	1,587,000	0.09

Long positions in underlying shares of NWSH – share options

Name of Director	Grant date	Exercisable period (Notes)	Number of share options outstanding	Exercise price per share
Dr. Cheng Kar-Shun, Henry	21 July 2003	(1)	2,000,000	HK\$3.725
Mr. Wilfried Ernst Kaffenberger	21 July 2003	(2)	600,000	HK\$3.725
Mr. Lai Hing-Chiu, Dominic	21 July 2003	(1)	400,000	HK\$3.725

Notes:

- (1) Divided into 2 tranches exercisable from 21 July 2004 and 21 July 2005 respectively to 20 July 2008.
- (2) Divided into 3 tranches exercisable from 21 January 2004, 21 July 2004 and 21 July 2005 respectively to 20 July 2008.

NWCL

Long positions in underlying shares of NWCL – share options

Name of Director	Grant date	Exercisable period (Note)	Number of share options outstanding with exercise price per share of HK\$1.955
Dr. Cheng Kar-Shun, Henry	7 February 2001	8 March 2001 to 7 March 2006	5,000,000

Note: The share options are exercisable during a period of five years commencing from the expiry of one month after the dates of each grant when the offers of the share options were accepted, provided that the maximum number of share options that can be exercised during a year is 20% of the total number of the share options granted together with any unexercised share options carried forward from the previous year(s).

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares (within the meaning of Part XV of the SFO) or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be: (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

(a) Interests to be disclosed under Divisions 2 and 3 of Part XV of the SFO

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons had an interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in shares

Name	Number of shares held			Approximate percentage of issued share capital of the Company
	Beneficial interests	Corporate interests	Total	
Chow Tai Fook Enterprises Limited (Note 1)	-	519,919,085	519,919,085	54.60
NWD (Note 2)	-	519,919,085	519,919,085	54.60
Sea Walker Limited ("SWL") (Note 3)	-	516,561,485	516,561,485	54.25
Mombasa Limited	516,561,485	-	516,561,485	54.25
AIG Asian Infrastructure Management II Ltd. as general partner of AIG Asian Infrastructure Management II LP as general partner of AIG Asian Infrastructure Fund II LP	-	96,848,750	96,848,750	10.17
Mr. Steven Shmuel Gross (Note 4)	-	53,691,200	53,691,200	5.64
World Link Development Limited ("World Link")	41,361,000	12,330,200	53,691,200 (Note 5)	5.64

Notes:

- (1) Chow Tai Fook Enterprises Limited and its subsidiaries have interests in more than one-third of the issued shares of NWD and is accordingly deemed to have an interest in the shares deemed to be interested by NWD.
- (2) This interest represents 516,561,485 shares deemed to be held by SWL and 3,357,600 shares directly held by Financial Concepts Investment Limited ("FCIL"). SWL is a wholly owned subsidiary of NWD and FCIL is a non-wholly owned subsidiary of NWD. NWD is deemed to have interest in the shares held by SWL and FCIL.
- (3) Mombasa Limited is a wholly owned subsidiary of SWL and its interests in the Company is deemed to be held by SWL.
- (4) Mr. Steven Shmuel Gross owns 100% interest in World Link and he is accordingly deemed to have an interest in the shares held by World Link.
- (5) This interest represents 41,361,000 shares held by World Link and 12,330,200 shares held by Long Victory Group Limited which is a wholly owned subsidiary of World Link. World Link is deemed to be interested in the shares held by Long Victory Group Limited.

(b) Interests in 10% or more of the nominal value of share capital carrying voting rights of any subsidiary of the Company

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company and save as otherwise disclosed in this circular, the persons (other than a Director or chief executive of the Company or a member of the Group) who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any subsidiary of the Company were as follows:

Name of subsidiary	Name of shareholder	Approximate percentage of interest held
Milestone Overseas Limited	Infinity Regent Inc.	16.67%
Milestone Overseas Limited	Sparkle Spirit Limited	16.67%
Two-Way Communications Limited	Stanford Ocean Limited	10%
Two-Way Communications Limited	Magic Pioneer Limited	10%
Apex-Pro Systems Limited	Mr. Li Chau-Ming, Peter	14.9%
NoveMed Group Ltd.	Dr. Ren Keyong	20%
NoveMed Group Ltd.	Panion Holdings Ltd.	15%
北京新世界威邁特高新技術有限公司	Grand Business Development Limited	45%

Name of subsidiary	Name of shareholder	Approximate percentage of interest held
Beijing Xintong Northern Culture Development Co., Ltd.	Mr. Wang Xiaomin	10%
Beijing Xintong Northern Culture Development Co., Ltd.	Ms. Yao Baozhen	10%
Beijing Xintong Sinologue Advertising Co., Ltd.	Ms. Yao Baozhen	35%
Beijing Xintong Sinologue Advertising Co., Ltd.	Beijing Zirancao Advertising Co., Ltd.	25%
Beijing Xindu Fengfan Advertising Co., Ltd.	Ms. Yao Baozhen	20%
Beijing Xindu Fengfan Advertising Co., Ltd.	Mr. Wang Jiquan	10%
Shanghai Xintong Culture & Media Co., Ltd.	Ms. Xu Xiaoluo	10%
Shanghai Xintong Culture & Media Co., Ltd.	Ms. Sun Li	10%
Shanxi Xintongda Culture Propagation Co., Ltd.	Easin Technology Co., Ltd.	40%
Shanxi Xintongda Culture Propagation Co., Ltd.	Mr. Huang Xiaogang	20%
Shanghai Aumedia Culture Propagation Co., Ltd.	Mr. Chen Shangwu	13.5%
Hainan Yangpu Xintong Culture Development Co., Ltd.	Ms. Yao Baozhen	40%
Beijing Jingdun Xintong Movie and TV Culture Co., Ltd.	Huasheng Audio & Video Publishing House	10%

ADDITIONAL DISCLOSURE OF INTERESTS

As at the Latest Practicable Date:

- (a) None of the Directors were materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Group.
- (b) Commerzbank had no shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (c) None of the Directors or Commerzbank had any direct or indirect interest in any asset which, since 30 June 2003 (the date to which the latest published audited financial statements of the Group were made up), had been acquired or disposed of by, or leased to, any member of the Group, or was proposed to be acquired or disposed of by, or leased to, any member of the Group.

MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 30 June 2003, the date to which the latest published audited financial statements of the Group were made up.

LITIGATION

Save as the litigation involving the Company relating to the investment in PrediWave Corporation and certain of its associated companies as disclosed in the joint announcement with NWD dated 27 May 2004, no member of the Group is engaged in any litigation or claim of material importance and, so far as the Directors are aware, no litigation or claim of material importance is pending or threatened against any member of the Group.

SERVICE CONTRACT

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

COMPETING INTERESTS OF DIRECTORS AND ASSOCIATES

As at the Latest Practicable Date, each of the following Directors were considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules as set out below:

Name of Director	Name of entity which businesses are considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entity which are considered to compete or likely to compete with the businesses of the Group	Nature of interest of the Director in the entity
Dr. Cheng Kar-Shun, Henry	New World Telephone Holdings Limited group of companies	Telecom services	Director
Mr. Wong Chi-Chiu, Albert	New World Telephone Holdings Limited group of companies	Telecom services	Director

As the Board is independent from the boards of the aforesaid companies and none of the above Directors can control the Board of the Company, the Group is capable of carrying its businesses independently of, and at arm's length from the businesses of such companies.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and his associates was considered to have interests in any business, apart from his interest in the Company, which competes or is likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules.

QUALIFICATIONS AND CONSENT OF EXPERT

Commerzbank is a licenced bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong). Commerzbank has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they appear.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company at 21st Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong up to and including 13 August 2004:

- (a) the Tian's Agreement, the Hainan Agreement and the Capital Increase Agreement;
- (b) the letter from the Independent Board Committee dated 26 July 2004, the text of which is set out on page 9 of this circular;
- (c) the letter from Commerzbank to the Independent Board Committee dated 26 July 2004, the text of which is set out on pages 10 to 16 of this circular; and
- (d) the written consent of Commerzbank referred to in the paragraph headed "Qualifications and Consent of Expert" of this Appendix.

MISCELLANEOUS

- (a) The secretary of the Company is Mr. Chow Oi-Wah, Fergus, *FCCA, AHKSA*.
- (b) The registered office of the Company is at P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies and its head office and principal place of business is at 21st Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.
- (c) The branch registrar and transfer office of the Company in Hong Kong is Standard Registrars Limited at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (d) The English text of this circular will prevail over the Chinese text.