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If you are in doubt as to any aspect of this document, you should consult your licensed securities dealer or registered institution 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 document and the accompanying forms of proxy to the purchaser or transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**PROPOSED PRIVATISATION OF NEW WORLD TMT LIMITED
BY NEW WORLD DEVELOPMENT COMPANY LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 86 OF THE COMPANIES LAW, CAP. 22 (LAW 3 OF 1961)
AS CONSOLIDATED AND REVISED OF THE CAYMAN ISLANDS
INVOLVING THE CANCELLATION OF ALL THE ISSUED SHARES OF HK\$1.00 EACH
IN NEW WORLD TMT LIMITED
HELD BY THE SCHEME SHAREHOLDERS (AS DEFINED HEREIN)**

Financial Adviser to New World Development Company Limited



Standard Chartered Bank (Hong Kong) Limited

Joint independent financial advisers to the Independent Board Committee
(as defined herein) of New World TMT Limited

COMMERZBANK 
Commerzbank AG Hong Kong Branch



A letter from the board of directors of New World TMT Limited is set out on pages 10 to 21 of this document. An explanatory memorandum regarding the Proposal (as defined herein) is set out on pages 62 to 79 of this document. A letter from the Independent Board Committee (as defined herein) containing its advice to the Independent Shareholders (as defined herein) in relation to the Proposal is set out on page 22 of this document. A letter from the joint independent financial advisers, Commerzbank AG Hong Kong Branch and Access Capital Limited, containing their advice to the Independent Board Committee in relation to the Proposal is set out on pages 23 to 61 of this document.

The action to be taken by the Shareholders (as defined herein) is set out on pages 78 to 79 of this document.

Notices convening the Court Meeting (as defined herein) and the Extraordinary General Meeting (as defined herein) both to be held on Friday, 13 January 2006 are set out on pages 139 to 143 of this document. Whether or not you are able to attend the Meetings (as defined herein) in person, Independent Shareholders are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting and Shareholders are strongly urged to complete and sign the enclosed white form of proxy in respect of the Extraordinary General Meeting, in accordance with the instructions respectively printed thereon, and to lodge them with the principal place of business of New World TMT Limited in Hong Kong, at 2008, 20th Floor, New World Tower 1, 18 Queen's Road Central, Hong Kong, as soon as possible but in any event so as to reach them not later than 48 hours before the time appointed for holding of the relevant Meeting. In the case of the pink form of proxy, it may be handed to the chairman of the Court Meeting at the Court Meeting if it is not so lodged.

This document is issued jointly by New World TMT Limited and New World Development Company Limited.

* For identification purposes only

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DEFINITIONS

In this document (other than the Scheme, the Notice of Court Meeting and the Notice of Extraordinary General Meeting), the following expressions have the following meanings, unless the context requires otherwise:

“Access Capital”	Access Capital Limited, a licensed corporation for type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as set out in schedule 5 to the SFO, and appointed as one of the joint independent financial advisers to the Independent Board Committee in respect of the Proposal
“acting in concert”	has the meaning ascribed to such expression under the Takeovers Code
“AIG Fund II”	AIG Asian Infrastructure Fund II LP, a Bermuda fund managed by AIG Asian Infrastructure Management II LP, in turn managed by AIG Asian Infrastructure Management II Ltd., a substantial shareholder of NWTMT
“Announcement”	the announcement dated 2 November 2005 issued jointly by NWD and NWTMT relating to, inter alia, the Proposal and published in The Standard and Hong Kong Economic Times on 3 November 2005
“Announcement Date”	2 November 2005, being the date of the Announcement
“associate(s)”	has the meaning ascribed to such expression under the Takeovers Code
“Authorisations”	all the necessary authorisations, registrations, filings, rulings, consents, permissions and approvals in connection with the Proposal
“Banking Ordinance”	the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)
“Board”	the board of directors of NWTMT

DEFINITIONS

“Brighton Management”	Brighton Management Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly-owned by Mrs. Cheng
“Cancellation Price”	the cancellation price of HK\$0.75 per Scheme Share payable in cash by NWD to the Scheme Shareholders
“Commerzbank”	Commerzbank AG, acting through its Hong Kong branch, a licensed bank under the Banking Ordinance and an authorised financial institution under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as set out in Schedule 5 to the SFO, and appointed as one of the joint independent financial advisers to the Independent Board Committee in respect of the Proposal
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961), as consolidated and revised of the Cayman Islands
“Condition(s)”	the conditions or any of them to which the Proposal is subject, which are set out in the section entitled “Conditions of the Proposal” in the Explanatory Memorandum on pages 63 to 65 of this document
“Controlling Party”	Mombasa Limited, a company incorporated in the British Virgin Islands with limited liability, an indirect wholly-owned subsidiary of NWD, which was the legal and/or beneficial owner of approximately 54.25% of the issued share capital of NWTMT as at the Latest Practicable Date
“Court Meeting”	a meeting of the Scheme Shareholders convened by the direction of the Grand Court at which the Scheme will be voted on, which will be held at Concord Room, 8th Floor, Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong on Friday, 13 January 2006 at 10:30 a.m., notice of which is set out on pages 139 to 140 of this document, or any adjournment thereof

DEFINITIONS

“Effective Date”	the date on which the Scheme, if approved, becomes effective, which is expected to be Monday, 20 February 2006 (Cayman Islands time)
“Excluded Parties”	parties acting in concert with NWD which as at the Latest Practicable Date included FCIL, Brighton Management, Dr. Sin Wai-Kin, David, Madam Sin Lau Po-Lan, Mr. Liang Chong-Hou, David and Standard Chartered, who together were the legal and/or beneficial owners of an aggregate of 4,363,522 Shares, representing approximately 0.46% of the issued share capital of NWTMT as at the Latest Practicable Date
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate thereof
“Explanatory Memorandum”	the explanatory memorandum as set out on pages 62 to 79 of this document in compliance with the Rules of the Grand Court
“Extraordinary General Meeting”	the extraordinary general meeting of NWTMT to be held at Concord Room, 8th Floor, Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong on Friday, 13 January 2006 at 11:00 a.m., notice of which is set out on pages 141 to 143 of this document, or any adjournment thereof
“FCIL”	Financial Concepts Investment Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly-owned subsidiary of NWS
“Grand Court”	Grand Court of the Cayman Islands
“holder”	a registered holder of shares including a person entitled by transmission to be registered as such and joint holders
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee”	the independent board committee comprising Dr. Lam Man-Kit, Dominic, The Honourable Shek Lai-Him, Abraham and Mr. Kong Chi-How, Johnson, all being independent non-executive directors of NWTMT, which has been established by the Board to make a recommendation to the Independent Shareholders in respect of the Proposal
“Independent Shareholders”	Shareholders other than the holders of the Shares legally and/or beneficially owned by the Controlling Party, the Excluded Parties and any other parties acting in concert with NWD (if any)
“Latest Practicable Date”	13 December 2005, being the latest practicable date prior to the printing of this document for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Meetings”	the Court Meeting and the Extraordinary General Meeting and “Meeting” means the relevant one of them, as the case may be
“Mrs. Cheng”	Madam Ip Mei-Hing, Katherine, the spouse of Dr. Cheng Kar-Shun, Henry, managing director of NWD and Chairman of NWTMT
“NWD”	New World Development Company Limited, a company incorporated in Hong Kong with limited liability, the shares of which are currently listed on the Main Board of the Stock Exchange
“NWD Group”	NWD and its subsidiaries
“NWD Shares”	shares of HK\$1.00 each in the share capital of NWD
“NWS”	NWS Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are currently listed on the Main Board of the Stock Exchange, and an indirect non wholly-owned subsidiary of NWD

DEFINITIONS

“NWTMT”	New World TMT Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are currently listed on the Main Board of the Stock Exchange, and an indirect non wholly-owned subsidiary of NWD
“NWTMT Group”	NWTMT and its subsidiaries
“PRC”	the People’s Republic of China
“Proposal”	the proposal for the privatisation of NWTMT by NWD by way of the Scheme
“Record Time”	5:00 p.m. Hong Kong time on Monday, 20 February 2006 for determining entitlements under the Scheme
“Register”	the register of members of NWTMT
“Relevant Authorities”	appropriate governments and/or governmental bodies, regulatory bodies, courts or institutions
“Scheme”	the scheme of arrangement between NWTMT and the Scheme Shareholders under Section 86 of the Companies Law as set out on pages 132 to 138 of this document, with or subject to any modification thereof or addition thereto or condition(s) approved or imposed by the Grand Court involving the cancellation and extinguishment of all the Scheme Shares
“Scheme Share(s)”	the Shares in issue as at the Record Time other than those legally and/or beneficially owned by the Controlling Party
“Scheme Shareholder(s)”	holders of Scheme Shares
“SFC”	Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	registered holders of Shares

DEFINITIONS

“Shares”	shares of HK\$1.00 each in the share capital of NWTMT
“Standard Chartered”	Standard Chartered Bank (Hong Kong) Limited, the financial adviser to NWD. Standard Chartered is registered as a registered institution with the SFC to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as set out in Schedule 5 to the SFO and is a licensed bank under the Banking Ordinance
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to such expression under the Listing Rules
“Takeovers Code”	The Code on Takeovers and Mergers
“trading day”	a day on which the Stock Exchange is open for trading in securities
“HK\$” and “cent(s)”	Hong Kong dollar(s), the lawful currency of Hong Kong for the time being
“%”	per cent.

EXPECTED TIMETABLE

Latest time for lodging transfers of the
Shares to qualify for entitlement to attend
and vote at the Court Meeting and
the Extraordinary General Meeting 4:00 p.m. on Monday, 9 January 2006

Register closed for determination of
entitlements of the Independent Shareholders
to attend and vote at the Court Meeting and
of the Shareholders to attend and vote at
the Extraordinary General Meeting (*Note 1*) Tuesday, 10 January 2006 to
Friday, 13 January 2006
(both dates inclusive)

Latest time for lodging forms of proxy in respect of (*Notes 2 and 4*):

Court Meeting 10:30 a.m. on Wednesday, 11 January 2006

Extraordinary General Meeting 11:00 a.m. on Wednesday, 11 January 2006

Suspension of dealings in the Shares 9:30 a.m. on Friday, 13 January 2006

Court Meeting (*Note 3*) 10:30 a.m. on Friday, 13 January 2006

Extraordinary General Meeting
(*Note 3*) 11:00 a.m. on Friday, 13 January 2006
or so soon thereafter as the Court Meeting
shall have been concluded or adjourned

Announcement of the results
of the Meetings published on
the Stock Exchange website 7:00 p.m. on Friday, 13 January 2006

Announcement of the results of
the Meetings in The Standard and
Hong Kong Economic Times Monday, 16 January 2006

Resumption of dealings in the Shares 9:30 a.m. on Monday, 16 January 2006

Hearing of NWTMT's application to
the Grand Court to dispense with settling
of a list of creditors (*Note 4*) Friday, 20 January 2006

Last day for dealings in the Shares Tuesday, 14 February 2006

EXPECTED TIMETABLE

Latest time for lodging transfers of the Shares to qualify for entitlements under the Scheme	4:00 p.m. on Friday, 17 February 2006
Book close date (<i>Note 5</i>)	Monday, 20 February 2006
Record Time	5:00 p.m. on Monday, 20 February 2006
Grand Court hearing of the petition to sanction the Scheme and to confirm the reduction of capital of NWTMT (<i>Note 4</i>)	Monday, 20 February 2006
Effective Date (<i>Notes 4 and 6</i>)	Monday, 20 February 2006
Announcement of the Effective Date and withdrawal of the listing of the Shares on the Stock Exchange in The Standard and Hong Kong Economic Times	Tuesday, 21 February 2006
Withdrawal of the listing of the Shares on the Stock Exchange (<i>Note 6</i>)	9:30 a.m. on Tuesday, 21 February 2006
Cheques for payment under the Scheme to be despatched on or before	Thursday, 2 March 2006

Shareholders should note that the above timetable is subject to change. Further announcement(s) will be made in the event that there is any such change.

Notes:

1. The registers of members of NWTMT kept in the Cayman Islands and Hong Kong respectively will be closed during such period for the purpose of determining entitlements of the Independent Shareholders to attend and vote at the Court Meeting and of the Shareholders to attend and vote at the Extraordinary General Meeting. This book close period is not for determining entitlements under the Scheme.
2. Forms of proxy should be lodged with the principal place of business of NWTMT in Hong Kong, at 2008, 20th Floor, New World Tower 1, 18 Queen's Road Central, Hong Kong, as soon as possible and in any event not later than the relevant times and dates stated above. In the case of the pink form of proxy in respect of the Court Meeting, it may be handed to the chairman of the Court Meeting at the Court Meeting if it is not so lodged. In order to be valid, the white form of proxy for the Extraordinary General Meeting must be lodged not later than the time and date stated above. Completion and return of a form of proxy for the Court Meeting will not preclude an Independent Shareholder from attending and voting in person at that Meeting. Completion and return of a form of proxy for the Extraordinary General Meeting will not preclude a Shareholder from attending and voting in person at that Meeting. In each such event, the returned form of proxy will be deemed to have been revoked. In the case of any beneficial owner of Shares ("Beneficial Owner") whose Shares are held upon trust by and registered in the name of a nominee, trustee, depository or any other authorised custodian or third party ("Registered Owner"), such Beneficial Owner should contact the Registered Owner and provide him/her/it with instructions or make arrangements with him/her/it in relation to the manner in which the Shares of the Beneficial Owner should be voted at the Court Meeting and/or the Extraordinary General Meeting. Such instructions and/or arrangements should be given or made in advance of the aforementioned latest time for the lodgement of forms of proxy in respect of the Court Meeting and the Extraordinary General Meeting in order to provide the Registered Owner with sufficient time to

EXPECTED TIMETABLE

accurately complete his/her/its proxy and to submit it by the deadline stated above. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owners at a particular date or time in advance of the aforementioned latest time for the lodgement of forms of proxy in respect of the Court Meeting and the Extraordinary General Meeting, then any such Beneficial Owner should comply with the requirements of the Registered Owner.

Any Beneficial Owner whose Shares are deposited in Central Clearing and Settlement System ("CCASS") operated by Hong Kong Securities Clearing Company Limited and registered under the name of HKSCC Nominees Limited must, unless such Beneficial Owner is a person admitted to participate in CCASS as an investor participant (the "Investor Participant"), contact their broker, custodian, nominee or other relevant person who is, or has in turn deposited such Shares with, a CCASS participant ("Other CCASS Participant") regarding voting instructions to be given to such persons if they wish to vote in respect of the Scheme of Arrangement. The same timeframes for contacting their broker, custodian, nominee or other relevant person as set out in the previous paragraph apply to such Beneficial Owners. The procedure for voting in respect of the Scheme of Arrangement by the Investor Participants and the Other CCASS Participants with respect to Shares registered under the name of HKSCC Nominees Limited shall be in accordance with the "General Rules of CCASS" and the "CCASS Operational Procedures".

3. The Court Meeting and the Extraordinary General Meeting will be held at Concord Room, 8th Floor, Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong at the times and dates specified above. Please see the notice of Court Meeting set out on pages 139 to 140, and the notice of Extraordinary General Meeting set out on pages 141 to 143, of this document for details.
4. All references in this document to times and dates are references to Hong Kong times and dates, other than references to the expected dates for the hearing of NWTMT's application to the Grand Court to dispense with settling of a list of creditors, the Grand Court hearing of the petition to sanction the Scheme and to confirm the reduction of capital of NWTMT and the Effective Date, which are references to the relevant dates in the Cayman Islands. Cayman Islands time is 13 hours behind Hong Kong time.
5. The registers of members of NWTMT kept in the Cayman Islands and Hong Kong respectively will be closed on that date for the purpose of determining Scheme Shareholders who are qualified for entitlements under the Scheme.
6. The Scheme will become effective when it is sanctioned (with or without modifications) by the Grand Court and a copy of the Grand Court order is delivered to the Registrar of Companies in the Cayman Islands for registration. Registration is expected to take place in the morning on Monday, 20 February 2006 (Cayman Islands time) (which will be the evening on Monday, 20 February 2006 (Hong Kong time)). However, in the event that not all of the Conditions have been fulfilled (or, as applicable, waived) by Monday, 20 February 2006, being the proposed date of the Grand Court hearing of the petition to sanction the Scheme and to confirm the reduction of capital of NWTMT, the timetable of events thereafter will be changed. Independent Shareholders should note the Conditions of the Proposal set out in the Explanatory Memorandum on pages 63 to 65 of this document. If the Scheme becomes effective, it is expected that the listing of the Shares on the Stock Exchange will be withdrawn with effect from 9:30 a.m. on Tuesday, 21 February 2006.

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: 0301)

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. Wilfried Ernst KAFFENBERGER
Mr. FU Sze-Shing
Mr. LEE Sean, Sammy
Mr. LAI Hing-Chiu, Dominic
Mr. YEUNG Kun-Wah, David
(*alternate director to*
Mr. Wilfried Ernst KAFFENBERGER)

Independent Non-executive Directors:

Dr. LAM Man-Kit, Dominic
The Honourable SHEK Lai-Him, Abraham
Mr. KONG Chi-How, Johnson

Registered office:

P.O. Box 309
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

***Principal place of business
in Hong Kong:***

2008, 20th Floor
New World Tower 1
18 Queen's Road Central
Hong Kong

16 December 2005

To Shareholders

Dear Sir or Madam,

**PROPOSED PRIVATISATION OF NEW WORLD TMT LIMITED
BY NEW WORLD DEVELOPMENT COMPANY LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 86 OF THE COMPANIES LAW**

INTRODUCTION

It was jointly announced by NWD and NWTMT on 2 November 2005 that on 1 November 2005, NWD requested the Board to put forward a proposal to the Scheme Shareholders regarding a proposed privatisation of NWTMT by way of a scheme of arrangement under Section 86 of the Companies Law involving the cancellation and extinguishment of all the Scheme Shares in consideration of the payment of the Cancellation Price of HK\$0.75 in cash per Scheme Share.

* For identification purposes only

LETTER FROM THE BOARD

Upon the Scheme becoming effective, NWTMT will become an indirect wholly-owned subsidiary of NWD. NWTMT will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange immediately following the Effective Date.

NWD has no intention of discontinuing NWTMT's businesses upon the privatisation of NWTMT. **The Cancellation Price will not be increased, and NWD does not reserve the right to do so.**

NWD has appointed Standard Chartered as its financial adviser in connection with the Proposal.

As at the Latest Practicable Date, the Controlling Party was the legal and/or beneficial owner of 516,561,485 Shares, representing approximately 54.25% of the issued share capital of NWTMT. Such Shares, by reason of the fact that the Controlling Party is an indirect wholly-owned subsidiary of NWD, will not form part of the Scheme Shares, and accordingly, will neither be represented nor voted at the Court Meeting to approve the Scheme. The Controlling Party has also indicated that if the Scheme is approved at the Court Meeting, those Shares of which it is the legal and/or beneficial owner will be voted in favour of the special resolution to be proposed at the Extraordinary General Meeting to approve and give effect to the reduction of the issued share capital of NWTMT.

In view of the interests of NWD in the Proposal and the direct or indirect relationships between the Excluded Parties and NWD as explained in the following paragraph, all of the 4,363,522 Shares of which the Excluded Parties are the legal and/or beneficial owners (representing approximately 0.46% of the issued share capital of NWTMT) will not be represented or voted at the Court Meeting to approve the Scheme as the Excluded Parties are presumed to be parties acting in concert with NWD under the Takeovers Code. These Shares do however form part of the Scheme Shares. There is no prohibition restricting the Excluded Parties from attending and voting at the Extraordinary General Meeting to approve and give effect to the reduction of the issued share capital of NWTMT.

As at the Latest Practicable Date, FCIL, a wholly-owned subsidiary of NWS, which in turn was a non wholly-owned subsidiary of NWD, was the beneficial owner of 3,357,600 Shares, representing approximately 0.35% of the issued share capital of NWTMT; Brighton Management, which was wholly-owned by Mrs. Cheng, was the beneficial owner of 1,000,000 Shares, representing approximately 0.11% of the issued share capital of NWTMT; Dr. Sin Wai-Kin, David, an executive director of NWD, was the legal and/or beneficial owner of 5,594 Shares; Dr. Sin Wai-Kin, David was also deemed to be interested in the 53 Shares owned by his spouse, Madam Sin Lau Po-Lan; Mr. Liang Chong-Hou, David, an executive director of NWD, was the beneficial owner of 262 Shares; and Standard Chartered and other members of its group which were deemed to be acting in concert with NWD under the Takeovers Code were the beneficial

LETTER FROM THE BOARD

owners of 13 Shares. In the circumstances, the legal and/or beneficial owners of these Shares, who are “Excluded Parties”, are presumed to be parties acting in concert with NWD under the Takeovers Code because of their direct or indirect relationship with NWD.

The Board comprises ten directors, three of whom are executive directors, four of whom are non-executive directors and the remaining three are independent non-executive directors. Dr. Cheng Kar-Shun, Henry, Mr. Wong Chi-Chiu, Albert and Dr. Wai Fung-Man, Norman are executive directors of NWTMT. Mr. Wilfried Ernst Kaffenberger is the chief executive officer of AIG Fund II, a substantial shareholder of NWTMT, and a non-executive director of NWS, an indirect non wholly-owned subsidiary of NWD, Mr. Fu Sze-Shing is a non-executive director of New World China Land Limited, a subsidiary of NWD, and an adviser to a number of investment businesses of NWTMT in the PRC, Mr. Lee Sean, Sammy is an employee of Media 8 Entertainment Limited, a wholly-owned subsidiary of International Entertainment Corporation of which Chow Tai Fook Enterprises Limited is a substantial shareholder, and the chairman of M8 Entertainment Inc., a subsidiary of International Entertainment Corporation and Mr. Lai Hing-Chiu, Dominic is a partner of a law firm which is a legal adviser to NWD and its controlling shareholder, all being non-executive directors of NWTMT, are not considered to be independent enough under the Takeovers Code to opine on the terms of the Proposal. As a result, the Independent Board Committee comprising Dr. Lam Man-Kit, Dominic, The Honourable Shek Lai-Him, Abraham and Mr. Kong Chi-How, Johnson, all being independent non-executive directors of NWTMT, has been established by the Board to make a recommendation to the Independent Shareholders in respect of the Proposal.

Commerzbank and Access Capital have been appointed by the Board as the joint independent financial advisers to advise the Independent Board Committee in connection with the Proposal and the Independent Board Committee has approved the appointment of the joint independent financial advisers.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE

The table below sets out the ownership of the Shares in issue, including those beneficially owned by the Controlling Party and the Excluded Parties, as at the Latest Practicable Date:

Shareholders	As at the Latest Practicable Date		Upon completion of the Proposal (notes 7 and 10)	
	Number of Shares	%	Number of Shares	%
Controlling Party (note 1)	516,561,485	54.25	952,180,007	100.00
FCIL (notes 2 & 7)	3,357,600	0.35	–	–
Brighton Management (notes 3 & 7)	1,000,000	0.11	–	–
Dr. Sin Wai-Kin, David (notes 4 & 7)	5,594	0.00	–	–
Madam Sin Lau Po-Lan (notes 4 & 7)	53	0.00	–	–
Mr. Liang Chong-Hou, David (notes 5 & 7)	262	0.00	–	–
Standard Chartered (notes 6 & 7)	13	0.00	–	–
Aggregate number of Shares of the Excluded Parties	4,363,522	0.46	–	–
Aggregate number of Shares of the Controlling Party and the Excluded Parties (note 8)	520,925,007	54.71	952,180,007	100.00
Independent Shareholders (note 9)	431,255,000	45.29	–	–
Total	952,180,007	100.00	952,180,007	100.00
Scheme Shareholders (note 11)	435,618,522	45.75	–	–

Notes:

- The Controlling Party was an indirect wholly-owned subsidiary of NWD.
- FCIL was a wholly-owned subsidiary of NWS, which in turn was a non wholly-owned subsidiary of NWD and therefore was presumed to be a party acting in concert with NWD under the Takeovers Code.
- Brighton Management was wholly-owned by Mrs. Cheng and therefore was presumed to be a party acting in concert with NWD under the Takeovers Code.
- Dr. Sin Wai-Kin, David was an executive director of NWD and Madam Sin Lau Po-Lan was his spouse and therefore they were presumed to be parties acting in concert with NWD under the Takeovers Code. Dr. Sin Wai-Kin, David was taken to be interested in the 53 Shares owned by his spouse, Madam Sin Lau Po-Lan, by virtue of the SFO.

LETTER FROM THE BOARD

5. Mr. Liang Chong-Hou, David was an executive director of NWD and therefore was presumed to be a party acting in concert with NWD under the Takeovers Code.
6. Standard Chartered was the financial adviser to NWD and therefore was presumed to be a party acting in concert with NWD under the Takeovers Code.
7. All of the Shares in which FCIL, Brighton Management, Dr. Sin Wai-Kin, David, Madam Sin Lau Po-Lan, Mr. Liang Chong-Hou, David and Standard Chartered were respectively interested as set out in this table will form part of the Scheme Shares.
8. The figure represents the aggregate shareholding of the NWD Group and parties presumed to be acting in concert with NWD under the Takeovers Code.
9. According to notifications received by NWTMT under Part XV of the SFO, AIG Fund II was interested in 96,848,750 Shares (representing approximately 10.17% of the issued share capital of NWTMT). Those Shares form part of the 431,255,000 Shares held by Independent Shareholders as described above.
10. Under the Scheme, the share capital of NWTMT will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. Forthwith upon such reduction, the share capital of NWTMT will be increased to its former amount by the issue of the same number of Shares as is equal to the Scheme Shares cancelled and the credit arising in NWTMT's books of account as a result of the capital reduction will be applied in paying up in full at par the 435,618,522 new Shares issued, credited as fully paid, to the Controlling Party or as NWD may direct.
11. The total number of Scheme Shares equalled the aggregate number of Shares held by the Excluded Parties and the Independent Shareholders.

Assuming that no further Shares will be issued or repurchased between the Latest Practicable Date and the Record Time, all of the 435,618,522 Scheme Shares then in issue will be cancelled and extinguished.

SUMMARY OF THE PROPOSAL

The purpose of this document is to give you further information regarding the Proposal and to give you notices of the Court Meeting and the Extraordinary General Meeting. Your attention is also drawn to the letter from the Independent Board Committee, the letter from Commerzbank and Access Capital to the Independent Board Committee, the Explanatory Memorandum and the Scheme, all of which form part of this document.

It is proposed that, subject to the Conditions being fulfilled or, if applicable, waived, the Proposal will be implemented by way of the Scheme, which will involve the cancellation and extinguishment of the Scheme Shares and a reduction of the issued share capital of NWTMT of HK\$435,618,522 under the Companies Law. Forthwith upon such reduction of capital taking effect, the share capital of NWTMT will be increased to its former amount of HK\$952,180,007 by the issue of the same number of Shares as is equal to the Scheme Shares cancelled and the credit arising in NWTMT's books of account as a result of the capital reduction will be applied in paying up in full at par the 435,618,522 new Shares issued, credited as fully paid, to the Controlling Party or as NWD may direct. Accordingly, NWTMT will become an indirect wholly-owned subsidiary

LETTER FROM THE BOARD

of NWD. The Scheme also provides that, in consideration of the cancellation and extinguishment of the Scheme Shares, all of the Scheme Shareholders whose names appear on the Register at the Record Time will be entitled to receive the Cancellation Price of HK\$0.75 in cash for each Scheme Share held. **The Cancellation Price per Scheme Share will not be increased, and NWD does not reserve the right to do so.**

Payment of the Cancellation Price will be effected by cheques and implemented in full in accordance with the terms of the Scheme without regard to any lien, right of set-off, counterclaim or other analogous rights to which NWD may otherwise be, or claim to be, entitled against any Scheme Shareholders.

As at the Latest Practicable Date, there were no options, warrants or convertible securities in respect of the Shares held by NWD or parties acting in concert with it or outstanding derivatives in respect of the Shares entered into by NWD or parties acting in concert with it. As at the Latest Practicable Date, the authorised share capital of NWTMT was HK\$2,000,000,000 divided into 2,000,000,000 Shares and the issued share capital of NWTMT was HK\$952,180,007 divided into 952,180,007 Shares. Apart from the Shares, NWTMT does not have any warrants, options, derivatives, convertible securities or other securities in issue.

On the bases of the Cancellation Price and of a total of 435,618,522 Scheme Shares and 516,561,485 Shares of which the Controlling Party was the legal and/or beneficial owner as at the Latest Practicable Date, the entire issued share capital of NWTMT is valued at approximately HK\$714.1 million under the Proposal. The amount of cash required for the Proposal is approximately HK\$326.7 million which will be payable by NWD. NWD intends to finance the cash required for the Proposal from bank borrowings. Standard Chartered, the financial adviser to NWD, is satisfied that sufficient financial resources are available to NWD for the implementation of the Proposal.

The Proposal will become effective and binding on NWTMT and all of the Scheme Shareholders, including the Excluded Parties and their nominees in whose names some of the Shares beneficially owned by them are registered, provided that the Conditions are fulfilled, or if applicable waived.

The Scheme will lapse if it does not become effective on or before 31 May 2006 (or such later date as NWD and NWTMT may agree or, to the extent applicable, as the Grand Court may allow) and the Scheme Shareholders will be notified accordingly by press announcements.

Assuming that the Scheme becomes effective on Monday, 20 February 2006, cheques for the Cancellation Price will be sent to the Scheme Shareholders whose names appear on the Register at the Record Time, such cheques are expected to be despatched to the Scheme Shareholders on or before Thursday, 2 March 2006 and in any event within ten days from the Effective Date.

LETTER FROM THE BOARD

FINANCIAL EFFECTS OF THE PROPOSAL

Share Price

The Cancellation Price represents:

- a premium of approximately 78.6% over the closing price of HK\$0.42 per Share as quoted on the Stock Exchange on 1 November 2005 (being the last full trading day in the Shares prior to the suspension of trading in the Shares pending the issue of the Announcement);
- a premium of approximately 76.1% over the average closing price of approximately HK\$0.426 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including 1 November 2005;
- a premium of approximately 70.1% over the average closing price of approximately HK\$0.441 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including 1 November 2005;
- a premium of approximately 66.4% over the average closing price of approximately HK\$0.451 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including 1 November 2005;
- a premium of approximately 51.0% over the average closing price of approximately HK\$0.497 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including 1 November 2005; and
- a premium of approximately 4.2% over the closing price of HK\$0.72 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

Historical share price information on the Shares is set out in Section 2 of Appendix II to this document.

Net Assets

As at 30 June 2005, the audited consolidated net assets of the NWTMT Group amounted to approximately HK\$712.0 million or approximately HK\$0.75 per Share. The Cancellation Price represents the audited consolidated net asset value per Share of approximately HK\$0.75 as at 30 June 2005.

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Losses

The NWTMT Group's audited consolidated loss for the year ended 30 June 2005 was approximately HK\$866.2 million, representing a loss per Share of approximately HK\$0.91. The NWTMT Group's audited consolidated loss in respect of the previous financial year ended 30 June 2004 was approximately HK\$5,507.3 million which is equivalent to a loss per Share of approximately HK\$5.78.

Dividend Yield

NWTMT has not paid cash dividend after the financial year ended 30 June 2000.

REASONS FOR AND BENEFITS OF THE PROPOSAL

Your attention is drawn to the section headed "Reasons for and benefits of the Proposal" in the Explanatory Memorandum on pages 66 to 67 of this document.

INFORMATION RELATING TO THE NWTMT GROUP AND FUTURE INTENTIONS

Your attention is drawn to the sections headed "Information relating to the NWTMT Group" and "Future intentions" in the Explanatory Memorandum on pages 67 to 73 of this document.

OTHER INFORMATION

As at the Latest Practicable Date, Dr. Sin Wai-Kin, David was the legal and/or beneficial owner of 5,594 Shares and his spouse was the legal and beneficial owner of 53 Shares and Mr. Liang Chong-Hou, David was the beneficial owner of 262 Shares. Dr. Sin Wai-Kin, David and Mr. Liang Chong-Hou, David are executive directors of NWD and therefore are presumed to be parties acting in concert with NWD under the Takeovers Code. Each of Dr. Sin Wai-Kin, David and Mr. Liang Chong-Hou, David have confirmed to the SFC that each of them has not taken part as a director in NWD's decision making process as regards the making of the Proposal and each of them have also confirmed and undertaken to the SFC that each of them will not take part as a director in NWD's decision making process as regards the making of the Proposal, will not take part as Shareholder in the Court Meeting to approve the Proposal and will receive no ancillary benefit in respect of the making of the Proposal.

Further, as at the Latest Practicable Date, Brighton Management, which was wholly-owned by Mrs. Cheng and therefore was presumed to be a party acting in concert with NWD under the Takeovers Code, was the beneficial owner of 1,000,000 Shares, representing approximately 0.11% of the issued share capital of NWTMT. Mrs. Cheng has unconditionally and irrevocably agreed that she will make or procure a donation to a charitable body exempt under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) of the Cancellation Price if the Proposal becomes

LETTER FROM THE BOARD

effective or the beneficial interest in such Shares should the Proposal fail or lapse. Accordingly, Mrs. Cheng will make no financial gain out of the implementation of the Proposal. As a result of the above arrangement, no issue on conflict of interest will arise under Rule 2.4 of the Takeovers Code. In that regard, and in relation to the Shares in which each of Dr. Sin Wai-Kin, David, his spouse and Mr. Liang Chong-Hou, David was interested as mentioned above, the SFC has waived NWD's obligation to comply with the requirements under Rule 2.4 of the Takeovers Code to obtain independent advice prior to the making of the Proposal.

MEETINGS AND ACTION TO BE TAKEN BY THE SHAREHOLDERS

As you will see from the notices of Meetings set out on pages 139 to 143 of this document, the Meetings have been convened to be held at Concord Room, 8th Floor, Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong at 10:30 a.m. and 11:00 a.m. respectively on Friday, 13 January 2006.

In accordance with the direction of the Grand Court, the Court Meeting has been convened for the purpose of considering and, if thought fit, passing the appropriate resolution to approve the Scheme (with or without modifications). As regards the requirements under the Takeovers Code (and the Companies Law), such a resolution will only be considered to have been passed if (i) the Scheme is approved by a majority in number representing at least 75% of the votes attaching to the Shares of the Independent Shareholders that are cast either in person or by proxy at the Court Meeting; and (ii) the number of votes cast (by way of poll) against the resolution at the Court Meeting is not more than 10% in value of all the Shares held by all of the Independent Shareholders. Based on 431,255,000 Shares held by the Independent Shareholders as at the Latest Practicable Date, 10% of such Shares amounted to 43,125,500 Shares. As at the Latest Practicable Date, the Controlling Party was the legal and/or beneficial owner of 516,561,485 Shares, representing approximately 54.25% of the issued share capital of NWTMT. Such Shares, by reason of the fact that the Controlling Party is an indirect wholly-owned subsidiary of NWD, will not form part of the Scheme Shares and, accordingly, will neither be represented nor voted at the Court Meeting to approve the Scheme. In addition, the Excluded Parties, who as at the Latest Practicable Date were collectively the legal and/or beneficial owners of 4,363,522 Shares, representing approximately 0.46% of the issued share capital of NWTMT, and their nominees in whose names some of the Shares of which they are beneficially interested are registered, will not, for the reasons already explained above, be entitled to attend at the Court Meeting in person or by proxy in their capacity as Scheme Shareholders for the purpose of voting those Shares.

Immediately following the Court Meeting, the Extraordinary General Meeting has been convened for the purpose of considering and, if thought fit, passing a special resolution to approve and give effect to the reduction of the issued share capital of NWTMT. The special resolution will be passed provided that it is approved by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting

LETTER FROM THE BOARD

in person or by proxy at the Extraordinary General Meeting. All Shareholders will be entitled to attend and vote on such special resolution at the Extraordinary General Meeting. The Controlling Party has also indicated that if the Scheme is approved at the Court Meeting, those Shares held by it will be voted in favour of the special resolution to be proposed at the Extraordinary General Meeting to approve the reduction of the issued share capital of NWTMT. There is no prohibition restricting the Excluded Parties from attending and voting at the Extraordinary General Meeting.

Whether or not you are able to attend the Meetings in person, the Independent Shareholders are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting and the Shareholders are strongly urged to complete and sign the enclosed white form of proxy in respect of the Extraordinary General Meeting in accordance with the instructions respectively printed thereon and to lodge them with the principal place of business of NWTMT in Hong Kong, at 2008, 20th Floor, New World Tower 1, 18 Queen's Road Central, Hong Kong as soon as possible, but in any case not later than the following respective times. In the case of the pink form of proxy for use at the Court Meeting, it is requested that this form of proxy be lodged not later than 10:30 a.m. on Wednesday, 11 January 2006 but if it is not so lodged, it may be handed to the chairman of the Court Meeting at the Court Meeting. In order to be valid, the white form of proxy for use at the Extraordinary General Meeting must be lodged not later than 11:00 a.m. on Wednesday, 11 January 2006. The completion and return of a form of proxy for any of the Meetings will not preclude you from attending the relevant Meeting and voting in person if you so wish. In the event that you attend a Meeting after having lodged the form of proxy, your form of proxy for that Meeting will be deemed to have been revoked.

NWTMT will only recognise persons whose names are registered on the register of members of NWTMT as Shareholders. Any beneficial owner of Shares whose Shares are held upon trust by and registered in the name of a nominee, trustee or other person will not be recognised by NWTMT as a Shareholder. Any beneficial owner of Shares (the "Beneficial Owner") whose Shares are registered in the name of a nominee, trustee, depository or any other authorised custodian or third party (the "Registered Owner") should contact such Registered Owner to give instructions to and/or to make arrangements with such Registered Owner as to the manner in which the Shares beneficially owned by the Beneficial Owner should be voted at the Court Meeting and/or the Extraordinary General Meeting. A Beneficial Owner who wishes to attend the Court Meeting and/or the Extraordinary General Meeting personally should contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable the Beneficial Owner to attend and vote at the Court Meeting and/or the Extraordinary General Meeting and for such purpose the Registered Owner may appoint the Beneficial Owner as its proxy. The appointment of a proxy by the Registered Owner at the relevant Court Meeting and/or the Extraordinary General Meeting shall be in accordance with all relevant provisions in the articles of association of NWTMT. In the case of the appointment of a proxy by the Registered Owner, the relevant forms of proxy shall be completed and signed by the Registered Owner and shall be lodged in the manner and before the latest time for lodging the relevant forms of proxy as more particularly set out in the paragraph above.

LETTER FROM THE BOARD

Any Beneficial Owner whose Shares are deposited in Central Clearing and Settlement System (“CCASS”) operated by Hong Kong Securities Clearing Company Limited and registered under the name of HKSCC Nominees Limited must, unless such Beneficial Owner is a person admitted to participate in CCASS as an investor participant (the “Investor Participant”), contact their broker, custodian, nominee or other relevant person who is, or has in turn deposited such Shares with, a CCASS participant (“Other CCASS Participant”) regarding voting instructions to be given to such persons if they wish to vote in respect of the Scheme of Arrangement. The procedure for voting in respect of the Scheme of Arrangement by the Investor Participants and the Other CCASS Participants with respect to Shares registered under the name of HKSCC Nominees Limited shall be in accordance with the “General Rules of CCASS” and the “CCASS Operational Procedures”.

For the purpose of determining the entitlements of the Independent Shareholders to attend and vote at the Court Meeting and of the Shareholders to attend and vote at the Extraordinary General Meeting, the Register will be closed from Tuesday, 10 January 2006 to Friday, 13 January 2006 (both dates inclusive) and during such period, no transfer of Shares will be effected. In order to qualify to vote at the Court Meeting and the Extraordinary General Meeting, all transfers accompanied by the relevant share certificates must be lodged with NWTMT’s branch share registrar in Hong Kong, Standard Registrars Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Monday, 9 January 2006. With effect from 3 January 2006, NWTMT’s branch share registrar in Hong Kong, Standard Registrars Limited, will be relocated to 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong.

Assuming that the Conditions are fulfilled or, where applicable, waived, the Scheme will become effective on the Effective Date, which is expected to be on Monday, 20 February 2006. Further press announcements will be made giving details of the results of the Meetings and, if all the resolutions are passed at the Meetings, the last day for dealing in the Shares, the Record Time, the result of the hearing of the petition to sanction the Scheme and to confirm the reduction of capital of NWTMT by the Grand Court, the Effective Date and the date of the withdrawal of the listing of the Shares on the Stock Exchange.

SHARE CERTIFICATES, DEALINGS, LISTING, REGISTRATION AND PAYMENT

Your attention is drawn to the sections headed “Share certificates, dealings and listing” and “Registration and payment” in the Explanatory Memorandum on pages 74 to 75 of this document.

LETTER FROM THE BOARD

FURTHER INFORMATION

A letter from the Independent Board Committee to the Independent Shareholders as well as a letter from Commerzbank and Access Capital to the Independent Board Committee are reproduced on pages 22 to 61 of this document. We advise you to read these letters carefully before you take any action in respect of the Proposal.

In considering what action to take in connection with the Proposal, your attention is drawn to the section headed "Taxation" in the Explanatory Memorandum on page 76 of this document.

You are urged to read the Explanatory Memorandum as set out on pages 62 to 79 of this document, the appendices to this document, the Scheme as set out on pages 132 to 138 of this document, and the notices of the Court Meeting and the Extraordinary General Meeting as set out on pages 139 to 143 of this document.

Yours faithfully,
For and on behalf of the Board
Dr. Cheng Kar-Shun, Henry
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

**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: 0301)

16 December 2005

To the Independent Shareholders

Dear Sir or Madam,

**PROPOSED PRIVATISATION OF NEW WORLD TMT LIMITED
BY NEW WORLD DEVELOPMENT COMPANY LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 86 OF THE COMPANIES LAW**

It was jointly announced by NWD and NWTMT on 2 November 2005 that on 1 November 2005, NWD requested the Board to put forward a proposal to the Scheme Shareholders regarding a proposed privatisation of NWTMT by way of a scheme of arrangement under Section 86 of the Companies Law involving the cancellation and extinguishment of all the Scheme Shares in consideration of the payment of the Cancellation Price of HK\$0.75 in cash per Scheme Share. Details of the Proposal are set out in the section entitled "Letter from the Board" as set out on pages 10 to 21 of a document issued jointly by NWD and NWTMT dated 16 December 2005 (the "Document"), of which this letter forms part. For the purpose of the Proposal, we have been appointed as members of the Independent Board Committee to give a recommendation to the Independent Shareholders as to how they should vote on the Proposal. Commerzbank and Access Capital have been appointed as the joint independent financial advisers to advise us in respect of the Proposal. Unless the context otherwise requires, terms used in this letter have the same meanings as defined in the Document.

Having considered the terms of the Scheme and the opinion of Commerzbank and Access Capital and, in particular, the factors, reasons and recommendations as set out in the letter from Commerzbank and Access Capital to the Independent Board Committee on pages 23 to 61 of the Document, we consider that the terms of the Proposal are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to approve the Scheme at the Court Meeting and to vote in favour of the special resolution to approve and give effect to the reduction of the issued share capital at the Extraordinary General Meeting.

We also draw the attention of the Independent Shareholders to (i) the letter from the Board, (ii) the Explanatory Memorandum and (iii) the Appendices which form part of the Explanatory Memorandum.

Yours faithfully,
Dr. Lam Man-Kit, Dominic
Independent Non-executive Director

Yours faithfully,
The Honourable Shek Lai-Him, Abraham
Independent Non-executive Director

Yours faithfully,
Mr. Kong Chi-How, Johnson
Independent Non-executive Director

* For identification purposes only

LETTER FROM COMMERZBANK AND ACCESS CAPITAL TO THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter received from Commerzbank and Access Capital, the joint independent financial advisers to the Independent Board Committee in connection with the proposed privatisation of NWTMT.

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

HONG KONG BRANCH

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Suite 606, 6th Floor
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

16 December 2005

To the Independent Board Committee

Dear Sirs,

**PROPOSED PRIVATISATION OF NEW WORLD TMT LIMITED
BY NEW WORLD DEVELOPMENT COMPANY LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 86 OF THE COMPANIES LAW, CAP. 22 (LAW 3 OF 1961)
AS CONSOLIDATED AND REVISED OF THE CAYMAN ISLANDS
INVOLVING THE CANCELLATION OF
ALL THE ISSUED SHARES OF HK\$1.00 EACH
IN NEW WORLD TMT LIMITED
HELD BY THE SCHEME SHAREHOLDERS**

INTRODUCTION

We refer to our appointment as the joint independent financial advisers to advise the Independent Board Committee in respect of the proposal for the proposed privatisation of NWTMT by NWD by way of the Scheme, the definitions of which, amongst other things, are set out in the circular dated 16 December 2005 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular have the same meanings when used in this letter unless the context requires otherwise.

It was jointly announced by NWD and NWTMT on 2 November 2005 that on 1 November 2005, NWD requested the Board to put forward a proposal to the Scheme Shareholders regarding the Proposal of arrangement under Section 86 of the Companies Law involving the cancellation and extinguishment of all the Scheme Shares in consideration of the payment of the Cancellation Price of HK\$0.75 in cash per Scheme Share.

Upon the Scheme becoming effective, NWTMT will become an indirect wholly-owned subsidiary of NWD. NWTMT will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange immediately following the Effective Date.

LETTER FROM COMMERZBANK AND ACCESS CAPITAL TO THE INDEPENDENT BOARD COMMITTEE

Our role as the joint independent financial advisers to the Independent Board Committee is to give our advice (i) on the Proposal and the recommendation to the Independent Shareholders on the Proposal as to whether it is fair and reasonable so far as the Independent Shareholders are concerned; and (ii) as to the acceptance or voting on the Proposal.

In formulating our opinion, we have relied on the information and facts supplied to us by NWTMT. We have assumed that all information, opinion and representations given by NWTMT contained or referred to in the Circular are true, complete and accurate in all material respects and we have relied on the same. Also, we have relied on the representations of NWTMT that having made all due enquiries and careful decisions, and to the best of its 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 NWTMT, and for which they are wholly responsible, are true, complete and accurate in all material respects 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 Proposal and to provide us with a reasonable basis for our opinion. 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 NWTMT, nor have we conducted any independent in-depth investigation into the business and affairs of the NWTMT Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. TERMS OF THE PROPOSAL

NWD and NWTMT jointly announced on 2 November 2005 to put forward the Proposal to the Scheme Shareholders. In summary, the Proposal involves the following terms:

- (i) all Scheme Shares held by the Scheme Shareholders will be cancelled under Section 86 of the Companies Law in exchange for HK\$0.75 in cash from NWD for every Scheme Share held;
- (ii) the Cancellation Price will not be increased and NWD does not reserve the right to do so;

LETTER FROM COMMERZBANK AND ACCESS CAPITAL TO THE INDEPENDENT BOARD COMMITTEE

- (iii) based on a total of 435,618,522 Scheme Shares at the Cancellation Price held by Independent Shareholders and Excluded Parties as at the Latest Practicable Date, the total consideration for the Cancellation of Scheme Shares was approximately HK\$326.7 million;
- (iv) as set out in the Circular, NWD has the intention to finance the consideration of the Proposal by bank borrowings; and
- (v) the Scheme Shares to be cancelled (subject to, inter alia, approval of the Scheme at the Court Meeting and the passing of the special resolution to approve and give effect to the reduction of the issued share capital of NWTMT at the Extraordinary General Meeting) will be deemed to be free from all third party rights, liens, charges, claims, equities and encumbrances and together with all rights attaching thereto, including the right to receive all dividends and/or other distributions declared, made or paid on such Scheme Shares after the date of cancellation of such Scheme Shares pursuant to the Scheme.

2. CONDITIONS OF THE PROPOSAL

The Scheme will become effective and binding on NWTMT and all Shareholders, subject to fulfillment or waiver (as applicable) of the following conditions:

- (i) the approval of the Scheme (by way of poll) by a majority in number of the Independent Shareholders present and voting either in person or by proxy at the Court Meeting representing not less than three-fourths in value of those Shares that are voted either in person or by proxy by the Independent Shareholders at the Court Meeting, provided that the Scheme is not disapproved (by way of poll) by the Independent Shareholders at the Court Meeting holding more than 10% in value of all the Shares held by the Independent Shareholders;
- (ii) the passing of a special resolution to approve and give effect to the reduction of the share capital of NWTMT by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at a general meeting of NWTMT;
- (iii) the Grand Court's sanction of the Scheme (with or without modifications) and its confirmation of the reduction of the share capital of NWTMT, and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Grand Court for registration;
- (iv) compliance, to the extent necessary, with the procedural requirements of Section 15 of the Companies Law and compliance with any conditions imposed under Section 16 of the Companies Law in each case in relation to the reduction of the issued share capital of NWTMT;

LETTER FROM COMMERZBANK AND ACCESS CAPITAL TO THE INDEPENDENT BOARD COMMITTEE

- (v) all Authorisations in connection with the Proposal having been obtained or made from, with or by (as the case may be) the Relevant Authorities, in the Cayman Islands and/or Hong Kong and/or any other relevant jurisdictions;
- (vi) all Authorisations remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any Relevant Authorities which is not expressly provided for, or is in addition to requirements expressly provided for, in relevant laws, rules, regulations or codes in connection with the Proposal or any matters, documents (including circulars) or things relating thereto, in each aforesaid case up to and at the time when the Scheme becomes effective;
- (vii) all necessary consents which may be required under any existing contractual obligations of NWTMT being obtained; and
- (viii) if required, the obtaining by NWD of such other necessary consent, approval, authorisation, permission, waiver or exemption which may be required from any Relevant Authorities or other third parties which are necessary or desirable for the performance of the Scheme under the applicable laws and regulations.

NWD reserves the right to waive conditions (v), (vi), (vii) and (viii) either in whole or in part in respect of any particular matter. Conditions (i) to (iv) cannot be waived in any event. All of the above conditions will have to be fulfilled or waived, as applicable, on or before 31 May 2006 (or such later date as NWD and NWTMT may agree or, to the extent applicable, as the Grand Court may direct), failing which the Scheme will lapse.

3. RATIONALE OF THE PROPOSAL

As set out in the Circular, we set out below the reasons and benefits of the Proposal to the Scheme Shareholders given by NWD:

3.1 Low trading volume

The trading volume for the Shares has been thin, resulting in the low liquidity of the Shares. The average daily trading volume for the past six months up to and including 1 November 2005 (being the last full trading day in the Shares prior to the suspension of trading in the Shares pending the issue of the Announcement) (the “**Last Full Trading Day**”) was approximately 296,118 Shares, representing approximately 0.09% of the free float of the Shares trading on the Stock Exchange during that period. Given the low liquidity of the Shares traded on the Stock Exchange and NWTMT has not paid cash dividend after fiscal year 2000, the directors of NWD are of the opinion that there is currently limited exit potential for the Scheme Shareholders.

LETTER FROM COMMERZBANK AND ACCESS CAPITAL TO THE INDEPENDENT BOARD COMMITTEE

3.2 Dividend payment

The NWTMT Group's audited consolidated loss for the year ended 30 June 2005 was approximately HK\$866.22 million, representing a loss per Share of approximately HK\$0.91. NWTMT has recorded losses for the past three financial years ended 30 June 2005, and has not paid cash dividend after fiscal year 2000.

3.3 The possibility of another offer

Since the NWD Group already own approximately 54.60% of NWTMT as at the Latest Practicable Date, the directors of NWD believe that it is unlikely that the Scheme Shareholders will receive any other general offer from a third party to acquire the Scheme Shares, as such offer would not succeed without the approval of NWD. In addition, Shareholders should note that no discussions have taken place (or are taking place) with any third party regarding the disposal of any of the Shares held by NWD and NWD has no intention of discontinuing the businesses of NWTMT.

3.4 Simplify the group structure

The directors of NWTMT (the "**Directors**") have been informed by the board of directors of NWD that the Proposal will simplify the group structure and will bring about more flexibility to take the business of the NWTMT Group forward in an efficient and sustainable manner.

3.5 The Cancellation Price

The Directors have also been informed by the board of directors of NWD that the Cancellation Price was determined after taking into account the figures referred to in various sections of the Circular headed "Financial Effects of the Proposal – Share Price" and "Financial Effects of the Proposal – Net Assets" of the Explanatory Memorandum and with reference to other privatisation transactions in the past few years. Our view on the Cancellation Price is fully explained in section 5 of this letter.

3.6 Realisation of the investment above the prevailing market price

As the Cancellation Price represents a premium of approximately 76.06%, approximately 70.13%, approximately 66.36% and approximately 50.98% over the 10-day, 30-day, 60-day and 180-day approximate average closing price per Share, the directors of NWD believe that the Proposal will provide an opportunity for all Scheme Shareholders to realise their investments in NWTMT at a price significantly above the then prevailing market price of the Shares.

**LETTER FROM COMMERZBANK AND ACCESS CAPITAL
TO THE INDEPENDENT BOARD COMMITTEE**

4. HISTORICAL FINANCIAL PERFORMANCE OF THE NWTMT GROUP

The following is a summary of the audited consolidated results of the NWTMT Group for the three financial years ended 30 June 2003, 2004 and 2005:

<i>(HK\$ in millions)</i>	For the financial year ended 30 June			Annual growth rate (%)	
	2003	2004	2005	2004	2005
	Restated				
Turnover	383.46	368.85	353.77	(3.81)	(4.09)
Other revenue	34.70	7.25	38.88	(79.11)	436.28
Other charges, net	(444.17)	(5,105.90)	(460.91)	1,049.54	(90.97)
Staff costs	(105.47)	(82.77)	(76.07)	(21.52)	(8.10)
Depreciation and amortisation	(155.21)	(41.96)	(23.44)	(72.97)	(44.14)
Other operating expenses, net	<u>(193.24)</u>	<u>(451.98)</u>	<u>(420.75)</u>	<u>133.90</u>	<u>(6.91)</u>
Operating loss	(479.93)	(5,306.51)	(588.52)	1,005.68	(88.91)
Finance costs	(638.98)	(82.87)	(106.30)	(87.03)	28.27
Share of results of Associated companies	15.53	(123.88)	(107.37)	(897.68)	(13.33)
Jointly controlled entities	<u>516.11</u>	<u>(13.87)</u>	<u>(74.88)</u>	<u>(102.69)</u>	<u>439.87</u>
Loss before taxation	(587.27)	(5,527.13)	(877.07)	841.16	(84.13)
Taxation	<u>(64.21)</u>	<u>(0.74)</u>	<u>(4.16)</u>	<u>(98.85)</u>	<u>462.16</u>
Loss after taxation	(651.48)	(5,527.87)	(881.23)	748.51	(84.06)
Minority interests	<u>(39.19)</u>	<u>20.61</u>	<u>15.01</u>	<u>(152.59)</u>	<u>(27.17)</u>
Loss for the year	<u><u>(690.67)</u></u>	<u><u>(5,507.26)</u></u>	<u><u>(866.22)</u></u>	<u><u>697.38</u></u>	<u><u>(84.27)</u></u>
Loss per Share – HK\$	<u><u>(0.73)</u></u>	<u><u>(5.78)</u></u>	<u><u>(0.91)</u></u>		

Source: NWTMT annual reports

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4.1 Analysis of turnover

The principal activities of the NWTMT Group are development, investment, operation and/or management of telecommunications, media and technology businesses mainly in Hong Kong and the PRC. Prior to the Reorganisation, the NWTMT Group was engaged in the operation of toll roads and bridges, cargo handling, logistics and warehousing services and telecommunications, media and technology businesses. The NWTMT Group sold its toll roads and bridges, cargo handling, logistics and warehousing services business as set out in the circular dated 18 November 2002 (the “**Reorganisation**”) and the Reorganisation was completed on 29 January 2003.

<i>(HK\$ in millions)</i>	For the financial year ended 30 June					
	2003	%	2004	%	2005	%
Advertising	0.00	0.00	333.62	88.95	317.98	88.89
Programme distribution	0.00	0.00	28.40	7.57	17.91	5.01
Other service fee	0.00	0.00	13.03	3.48	21.82	6.10
Toll income	322.87	97.69	0.00	0.00	0.00	0.00
Cargo, container handling and storage income	<u>7.64</u>	<u>2.31</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
	330.51	<u>100.00</u>	375.05	<u>100.00</u>	357.71	<u>100.00</u>
Business tax	<u>(16.83)</u>		<u>(6.20)</u>		<u>(3.94)</u>	
	<u>313.68</u>		<u>368.85</u>		<u>353.77</u>	
Interest income from						
Joint ventures	73.20		0.00		0.00	
Third parties	<u>6.58</u>		<u>0.00</u>		<u>0.00</u>	
	79.78		0.00		0.00	
Withholding tax	<u>(10.00)</u>		<u>0.00</u>		<u>0.00</u>	
	<u>69.78</u>		<u>0.00</u>		<u>0.00</u>	
Turnover	<u>383.46</u>		<u>368.85</u>		<u>353.77</u>	

Source: NWTMT annual reports

We note that the turnover for the financial year ended 30 June 2003 was not comparable with the subsequent two financial years ended 30 June 2004 and 2005 as 2003 turnover was mainly contributed from toll roads and bridges business.

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As set out in the table above, turnover before business tax for the year ended 30 June 2005 was approximately HK\$357.71 million, representing a decrease of approximately 4.62% year-on-year (the “**YoY**”), which was mainly attributable to the decline in (i) advertising income; and (ii) programme distribution income. We note that for the financial year ended 30 June 2005, the NWTMT Group recorded advertising income of HK\$317.98 million, which accounted for approximately 88.89% of the total turnover of the NWTMT Group before business tax, decreased by approximately 4.69% YoY. The programme distribution recorded income of approximately HK\$17.91 million, which accounted for approximately 5.01% of total turnover of the NWTMT Group before business tax, decreased by approximately 36.94% YoY. Both advertising income and programme distribution income were mainly contributed from Beijing Xintong Media & Cultural Development Co. Ltd (“**Xintong**”) – a multimedia advertising and content provider.

We have discussed with the Directors and note that the decline of turnover before business tax was mainly due to (i) the severe competition of the advertising market in the PRC; and (ii) the decline in the programme distribution income from content production.

4.1.1 Advertising income

We have discussed with the Directors and understand that in terms of geographical location, the key contributors to Xintong’s advertising income are from Beijing and Shanghai. According to the State Administration for Industry and Commerce (“**SAIC**”), we note that advertising spending (the “**Adspend**”) in the PRC is highly concentrated in the PRC’s more economically developed regions and increasingly concentrated in urban areas such as Beijing, Shanghai and the Guangdong province, which together accounted for approximately 49.3% of the total advertising spending in the PRC in 2003. Given the severe competition in the advertising market in relatively matured markets such as Beijing and Shanghai, the Directors are of the view that the market becomes more and more competitive, in particular, given that the advertising industry permits wholly foreign ownership by 11 December 2005 pursuant to the PRC’s entry into the World Trade Organisation (the “**WTO**”).

4.1.2 Programme distribution

We have discussed with the Directors and note that the decline in programme distribution income was due to (i) the decrease of the production of TV programme, (ii) failure in selling TV series content to TV broadcasting companies as a result of the non-approval of the content; and (iii) problems in receiving payment from TV broadcasting companies. The Directors are of the view that most of the TV broadcasting companies are unprofitable and have difficulties to pay for the TV programme. As such, the Directors become more cautious in supplying its TV programme content to TV broadcasting companies, which resulted in a 36.94% decrease in the programme distribution income.

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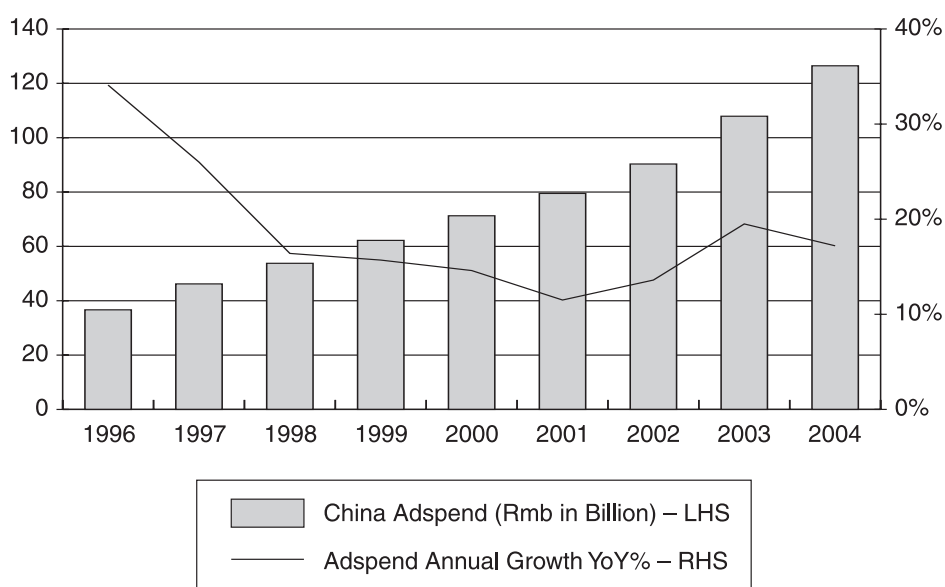
4.1.3 Overall advertising industry in the PRC

Given that the advertising income forms the majority of revenue of the NWTMT Group, we have reviewed the overall PRC advertising market.

(i) PRC advertising spending review

PRC is one of the world's fastest growing economies given that the real gross domestic product (the "GDP") was 9.5% in 2004, as compared to 8.0% in 2003. On the other hand, consumer spending has risen along with the increase in PRC's GDP growth. As a result of the increasing GDP, consumer companies are more willing to increase their Adspend. According to the latest information from SAIC, we note that the Adspend to GDP ratio gradually increased from approximately 0.86% in 2002 to approximately 0.92% in 2003 and approximately 0.92% in 2004.

China Adspend (1996-2004)



Source: SAIC

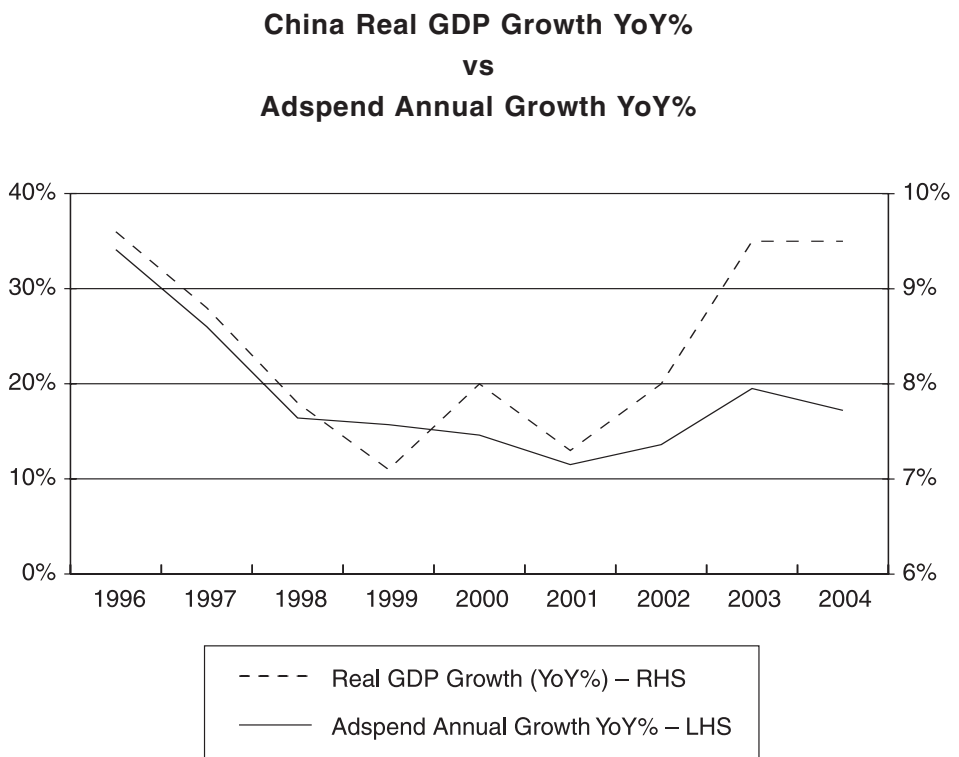
Based on the above chart, in terms of monetary value, we note that the PRC's Adspend was on a growing trend for the past nine years, increase from approximately RMB36.7 billion in 1996 to approximately RMB126.46 billion in 2004.

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Notwithstanding that the increase in the overall Adspend was in a rising trend during the past few years, we note that in accordance with the latest data released by Nielsen Media Research, the PRC's Adspend growth rate remained at a relatively stable level during the first six months of 2005 of approximately 20% YoY, as compared to approximately 17.20% YoY growth in 2004 and approximately 19.46% YoY growth in 2003.

(ii) *Advertising spending outlook*

(a) Real GDP Growth YoY% vs Adspend Annual Growth YoY%



Source: SAIC and National Bureau of Statistics of China

Based on the above chart, we note that both real GDP growth rate and the Adspend growth rate are closely correlated and are heading toward the same direction along with each other.

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The latest announced 2005 third quarter real GDP growth by the National Bureau of Statistics of China showed a sign of economy slowdown. We note that the PRC's third quarter 2005 real GDP growth rate was 9.4% YoY, decreased from 9.5% YoY of second quarter 2005. We have also reviewed various PRC economists' forecast from major equity research houses and note that the consensus PRC real GDP forecast is likely to slowdown in 2006 to approximately 8.5% YoY to 9.0% YoY. Given the historical statistic and market consensus, we are of the view that PRC's GDP is likely to slowdown in 2006.

The PRC's Adspend growth rate of approximately 20.0% YoY during the first six months of 2005 released by Nielsen Media Research rebounded from the Adspend growth rate of approximately 17.20% YoY reported in 2004 is approximately the same compared with the Adspend growth rate of approximately 19.46% YoY reported in 2003. We are of the view that the Adspend annual growth in 2005 is stable compared with the growth rate in 2003.

Given that (i) the Adspend annual growth in the first half of 2005 at approximately 20.00% YoY is above the growth rate of 2004 at approximately 17.20% YoY, but is stable compared with the growth rate of 2003 at approximately 19.46% YoY; (ii) the Adspend growth rate is closely correlated with real GDP growth rate; and (iii) the PRC's real GDP growth rate is likely to slowdown in 2006, we are of the view that the PRC's Adspend growth rate in 2006 is unlikely to surpass the Adspend growth reported in 2003 and 2004.

(b) More competition in the advertising industry

We have discussed with the Directors and note that one of the reasons of the NWTMT Group's advertising income decline was due to severe competition of the advertising market in the PRC. We note the comments from Mr. Wang Zhongfu, being the minister of SAIC, made during the 39th International Advertising Association World Congress in Beijing on 8 September 2004 that international players would accelerate their penetration into the PRC when the legal barrier was removed on 11 December 2005, allowing foreign advertising agency to have wholly-owned branch established in the PRC.

Given the deregulation of the advertising industry in the PRC, we are of the view that the competition in the industry would be severe, as more foreign advertising players could freely enter into the PRC and compete with local players head to head rather than on a cooperation basis.

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Given that (i) the Adspend growth rate of approximately 20.00% in the first half of 2005 rebounded from approximately 17.20% of 2004 but is stable when compared with approximately 19.46% YoY of 2003; (ii) the Adspend growth rate are closely correlated with real GDP growth rate; (iii) the PRC's real GDP growth rate is likely to slowdown in 2006 as explained above; and (iv) the severe competition in the advertising market in the PRC due to deregulation by the end of 2005, we are of the view that the operational and economic environment of the advertising market in the PRC, the sector from which the main income of the NWTMT Group derives, is difficult.

4.2 Analysis of operating loss attributable to Shareholders

Net loss for the year ended 30 June 2004 and 2005 were approximately HK\$5,507.26 million, increased by approximately 697.38% YoY, and approximately HK\$866.22 million, decreased by approximately 84.27% YoY. Significant increase of net loss for the year ended 30 June 2004 was mainly attributable to (i) the provisions for the investment, loans, impairment losses on intangible assets and fixed assets related to PrediWave Companies and investments in Technology business, (ii) other operating expenses; and (iii) share of loss of associated companies and jointly controlled entities. For the year ended 30 June 2005, net loss was approximately HK\$866.22 million, mainly due to the provision made against an unlisted investment in Intellambda Systems Inc.

4.2.1 Provisions on investment in PrediWave

(a) *The NWTMT Complaint*

As set out in the annual report as at 30 June 2005, the NWTMT Group filed complaints to the Superior Court of the State of California for the County of Santa Clara in the United States of America (“**US Court**”) (the “**NWTMT Complaint**”) against the PrediWave Companies and Mr. Tony Qu, the president and founder of the PrediWave Companies in May 2004. Under the NWTMT Complaint, NWTMT alleged that, in reliance of the representations given by Mr. Tony Qu and PrediWave, the NWTMT Group entered into various agreements with the PrediWave Companies under which the NWTMT Group invested in the PrediWave Companies and placed various purchase orders for goods and services relating to the technology of video-on-demand and other digital broadcasting and related technology and added value services (the “**Technology**”). The NWTMT Group had paid approximately HK\$5 billion to the PrediWave Companies for investments in and loans to the PrediWave Companies, and purchases of goods and services from the PrediWave Companies. NWTMT complained of various breaches in relation to goods and services relating to the Technology, by Mr. Tony Qu and the PrediWave Companies relating to the parties' agreements. Accordingly, the NWTMT Group claimed damages for an amount to be determined at trial together with interest, rescission of all agreements, restitution of all monies obtained from the NWTMT Group, punitive and exemplary damages, costs of legal proceedings and other declaratory relief and equitable relief. The total monetary amount sought by the NWTMT Group in the lawsuit exceeds US\$700 million (approximately HK\$5,460 million).

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We understand from the Directors that the NWTMT Complaint will not be concluded in a short period of time and the outcome of the NWTMT Complaint cannot be predicted. We have discussed with the external counsel of the NWTMT Group on the NWTMT Complaint, and note the following (also as described under the section “Litigation – PrediWave” in the Explanatory Memorandum of the Circular):

- (i) a preliminary trial date of the NWTMT Complaint has been fixed at 16 June 2006 (the “**Trial Date**”). We understand from the counsel that notwithstanding the fixture of the Trial Date, there is still a possibility of delay as such date was fixed in accordance with a timetable that assumes all litigation procedures and events will be adhered. The counsel is of the view that there can be numerous reasons leading to a possible delay, hence, it is uncertain to provide an estimate as to the timing of another trial date if the Trial Date is to be delayed;
- (ii) the outcome of the Trial, and is subject to appeal by NWTMT and the PrediWave Companies; and
- (iii) no settlement negotiation has been discussed between the NWTMT Group, including the Directors, and the PrediWave Companies; nor has the NWTMT Group initiated or proposed any out-of-court settlement to the NWTMT Complaint. Pursuant to Rule 222 of the California Rules of Court, on the court’s own motion or at the request of any party, the court may set a mandatory settlement conference. Based on the discussions with the external counsel of the NWTMT Group, we understand that as a practical matter, mandatory settlement conferences are conducted in all cases in California unless the parties instead participate in a voluntary settlement conference or some other settlement or mediation which the court considers to be an adequate alternative to a mandatory settlement conference. It is, therefore, probable that a settlement conference or mediation will be held in this case before trial. We further understand from the external counsel that the mere fact that a settlement conference or mediation is held does not mean that the lawsuit will settle, and accordingly, there can be no certainty or assurance that the case will settle, regardless of whether a settlement conference or mediation is held.

We note further from the annual report of NWTMT that as the Directors consider that they cannot effectively monitor the utilisation of funds by the PrediWave Companies, they expect that the utilisation of funds for legal costs and other causes beyond their control will be significant throughout the period up to the date when the NWTMT Complaint is concluded. We have discussed with the Directors and the external counsel of the NWTMT Group and understand that NWTMT has applied for a temporary restraining order against the PrediWave Companies in 2004, such application was denied by the US Court without explanation.

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The Directors have, (i) in the absence of the availability of meaningful and updated financial information on the PrediWave Companies; and (ii) the uncertainty of the timing and the outcome of the litigation which would have a consequential significant effect on the amount of assets recoverable, made a full provision of HK\$3,082 million in the accounts for the year ended 30 June 2004 against the NWTMT Group's investments in the PrediWave Companies, loans to the PrediWave Companies and deposits paid to PrediWave remains most appropriate for the purpose of the accounts for the year ended 30 June 2005.

We have further discussed with the Directors and the external counsel of the NWTMT Group as to the likelihood of the recovery of HK\$3,082 million in the event of the success of the NWTMT Complaint. We note that, apart from the timing and outcome uncertainties of the litigation, in the event that NWTMT succeeds in the ultimate hearing, NWTMT has to apply for enforcement of the judgment against the PrediWave Companies. In the event that the PrediWave Companies are unable or unwilling to pay for the judgment, winding-up proceedings or other enforcement orders might have to be initiated against the PrediWave Companies. As discussed above, currently, the Directors are unable to ascertain the financial position of the PrediWave Companies nor the Directors will have any control over any of the assets, including cash, of the PrediWave Companies, therefore, the Directors are uncertain as to whether the PrediWave Companies will have enough assets to satisfy the judgment in the event that NWTMT succeeds in the NWTMT Complaints. We understand from the Directors that approximately HK\$73.9 million has been used to initiate and defend the NWTMT Complaints for the year ended 30 June 2005.

(b) The PrediWave Cross-Complaint

In May 2004, PrediWave filed a complaint in the United States District Court for the Northern District of California against NWTMT (collectively the "**PrediWave Complaint**"). In January 2005, PrediWave dismissed the PrediWave Complaint and filed a counter claim against NWTMT to the Superior Court of the State of California for the County of Santa Clara (the "**PrediWave Cross-Complaint**"). Under the PrediWave Cross-Complaint, PrediWave alleged that the NWTMT Group had failed to make full payments under four purchase orders and one agreement for goods and services delivered or licenses granted by PrediWave to the NWTMT Group relating to the Technology totalling approximately US\$72 million (approximately HK\$564 million). As a result, PrediWave claimed damages against NWTMT in an amount to be proved at trial, together with interest and costs of legal proceedings, restitution of the reasonable value of goods delivered to NWTMT and a declaration that PrediWave should be entitled to retain the deposits made by NWTMT under various purchase orders and agreements.

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We understand from the Directors that NWTMT believes it has proper and valid defences to the PrediWave Cross-Complaint, and accordingly, no provisions for commitment and/or loss has been accounted for in the accounts of the NWTMT Group.

Given our discussion with the external counsel of the NWTMT Group as to the timing and the outcome of the NWTMT Complaints and the PrediWave Cross-Complaint, in particular, the litigation procedures in the US Court, we are of the view that the steps taken by NWTMT in the NWTMT Complaint and the PrediWave Cross-Complaint are reasonable.

Based on the discussions with the Directors and the external counsel of the NWTMT Group, we understand and note that the legal proceedings of the NWTMT Complaint and the PrediWave Cross-Complaint will take at least months or even a few years, if there is an appeal process after the judgment, to come to a final settlement at court. Furthermore, even after a judgment in favour of NWTMT is handed down by the court, there may still be enforcement issues as to whether PrediWave will have any assets to satisfy judgment debts then, given that there is no freezing of assets or close control of it in the meantime. Furthermore, the Directors have confirmed to us that since the filing of the NWTMT Complaint in May 2004, there has not been any discussions or negotiations between the NWTMT Group, the Directors or any of its legal representatives and PrediWave with regard to any out of court settlement. Notwithstanding that there has been no discussions or negotiations between the parties as to out of court settlement, as noted from above, it is probable that the court may set a mandatory settlement conference before trial for the parties to consider out of court settlement. However, it is still uncertain at this point that the case will be settled if there is a settlement conference or mediation is held.

Given that (i) it will take a long period of time for the conclusion of the legal proceedings of the NWTMT Complaint and the PrediWave Cross-Complaint as explained above and the uncertainty of the outcome as advised by the legal counsel; (ii) even if NWTMT obtains a judgment in its favour, there will still be uncertainty as to the enforcement of the judgment debts; (iii) the NWTMT Group and its legal representatives have confirmed that there has been no discussions or negotiations between the parties with regard to out of court settlement, which may shorten the time to settle this dispute, we concur with the Directors that the possibility of writing back part or the whole of the provisions in the financial year ended 30 June 2004 made with respect to the NWTMT Complaint in the near future is remote.

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4.2.2 Other operating expenses

Other operating expenses were significantly increased for the year ended 30 June 2004, increased by approximately 133.90% YoY to approximately HK\$451.98 million and decreased by approximately 6.91% YoY to approximately HK\$420.75 million for the year ended 30 June 2005. Significant increase of other operating expense for the year ended 30 June 2004 was mainly due to the Reorganisation of the business to dispose of infrastructure business and focus on telecommunications, media and technology business. Upon the Reorganisation, other operating expense for year ended 30 June 2004 and 30 June 2005 was taken into account as cost of sales in relation to advertising and programme distribution business; on the other hand, it also recognised legal cost incurred for PrediWave litigations.

4.2.3 Share of loss of associated companies and jointly controlled entities

Share of loss of associated companies and jointly controlled entities is one of factors attributable to the net loss of the NWTMT Group for the year ended 30 June 2004 and 2005. We have discussed with the Directors and note that majority of its associated companies and jointly controlled entities made loss for both years, mainly due to loss making of its associated companies and projects of the joint venture in the start-up stage. China Aerospace New World Technology Limited, a joint venture with China Aerospace International Holdings Ltd., is pending for the approval from the regulator to be a Direct-to-Home satellite TV Valued Added Services (the “**VAS**”) provider in the PRC. New QU Energy Limited, an associated company, is engaged in development of heat transfer devices. The Directors commented that after years of product and market testing, the commercialisation process of New QU technology is much longer than originally expected. Only small amount of revenue was generated comparing to the investment cost made in the past few years. Due to uncertainty on the business profitability, impairment loss on New QU technology have been made for the years ended 30 June 2004 and 2005. Given that (i) China Aerospace New World Technology Limited is in the start-up stage and (ii) impairment loss on New QU technology, both companies reported a net loss for year ended 30 June 2004 and 2005.

4.3 Deposits for fibre optic backbone network

As set out in the annual report for the year ended 30 June 2005, the NWTMT Group entered into an option agreement (the “**Option Agreement**”) with a PRC entity for the acquisition (the “**Acquisition**”) of an interest in a fibre optic backbone network (the “**Network**”) in the PRC in 2002. Subject to certain conditions as stipulated in the Option Agreement, the NWTMT Group was entitled to acquire up to 70% interest in the Network within two years from the date of the Option Agreement at a consideration of approximately HK\$2,563 million.

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The NWTMT Group had paid approximately HK\$1,531 million as deposits for the Network. On 23 June 2004, the NWTMT Group requested to withdraw from the Acquisition and the counterparties agreed on 3 September 2004 that these deposits for the Network, loans and other amounts owing to the NWTMT Group totalling HK\$2,160 million together with interest (the **“Total Amount Due”**) would be fully repaid to the NWTMT Group by 30 November 2004. As of 30 June 2005, these amounts remained outstanding and unpaid. Pursuant to the agreement on extension of repayment entered into between NWTMT and the counterparties, the counterparties agreed to (i) repay the deposits paid for the Network, loans and other amounts owing to the NWTMT Group totalling HK\$2,160 million together with interest by 30 November 2005; (ii) pledge the 70% interest in the Network as a security to secure their repayment; and (iii) allow the NWTMT Group to retain its option to re-enter the project if the repayment was not made in accordance with the agreement. The Total Amount Due was not paid by 30 November 2005 and, by an agreement entered into between the NWTMT Group and the PRC counterparties dated 22 November 2005 (the **“Extension Agreement”**) the repayment date of the Total Amount Due is further extended to 30 May 2006. The Directors are of the view that there is no change in their view in assessing the recoverability of the outstanding amount.

Having considered (i) the legal advice from the NWTMT Group’s legal counsel, (ii) valuation of the Network performed by an independent professional valuer, (iii) the security obtained and the option available to the NWTMT Group to re-enter the project, the Directors are of the view that the deposits paid for the Network, loans and other amounts owing to the NWTMT Group are fully recoverable.

We have reviewed (i) the Option Agreement; (ii) the repayment contract between NWTMT and the PRC entities, which owned the Network; and (iii) the legal opinion given by the PRC counsel confirming the legal ownership of the Network. We have discussed with the Directors and they confirmed that there is no material change to their view, as disclosed in the latest annual report for the year ended 30 June 2005, that the Total Amount Due is fully recoverable. We consider that the steps taken by the Directors in satisfying themselves that no provisions for non-recovery is required in relation to the deposit for the proposed investment in the Network as at 30 June 2005 is appropriate. The Directors confirmed to us that their view has not changed since the latest annual report for the year ended 30 June 2005.

Given (i) that NWTMT has consulted its legal counsel, performed valuation of the Network by an independent professional valuer and obtained the option to re-enter the project and signed repayment contract with the PRC entity owned the Network; (ii) the Option Agreement and the repayment contract between NWTMT and the PRC entities and the legal opinion given by the PRC counsel confirming the legal ownership of the Network; (iii) the Directors have considered that there is no material change to their views as disclosed in the latest annual report for the year ended 30 June 2005 in connection with the full recoverability of the Total Amount Due; and (iv) the auditors’ opinion on the financial statements of the NWTMT Group for the year ended 30 June 2005, we concur with the view of the Directors that no provisions for non-recovery required for the deposit is reasonable.

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Having (i) reviewed the Extension Agreement (ii) obtained the confirmation from the PRC counsel that their opinion on legal ownership of the Network remains unchanged; (iii) confirmed with the independent professional valuer that there is no change to the valuation of the Network; and (iv) the option available to the NWTMT Group to re-enter the project, our view as to no provisions is made for the deposit remains unchanged.

4.4 Analysis on dividend

In the past three years ended 30 June 2003, 2004 and 2005, NWTMT did not declare cash dividend to the Shareholders due to three years consecutive loss making. We have reviewed the consolidated balance sheets of NWTMT Group for the past three years and note that the total interest bearing loan balance as at 30 June 2005 was approximately HK\$3,229.96 million, down approximately 3.66% YoY and total cash and bank balances was approximately HK\$516.25 million, down approximately 20.48% YoY. As such, the net debt to average equity ratio as at 30 June 2005 was approximately 234.12%, significantly increased from approximately 62.26% of the ratio as at 30 June 2004.

Given that (i) the repayment of Attributable Debt as at 30 June 2005 amounted to approximately HK\$2.72 billion and cash and bank balances decreased by approximately 20.48% YoY to approximately HK\$516.25 million of 2005 from approximately HK\$649.23 million of 2004; and (ii) legal expenses incurred in connection with the ongoing litigations, we are uncertain as to the future dividend payout, or if there is, the dividend amounts and dividend yield. As such, we are of the opinion that the Proposal could be considered as a good opportunity for the Shareholders to realise their investment in the NWTMT for other higher growth or more stable investment, which is in the interest of the Independent Shareholders as a whole.

4.5 Analysis of net asset value (the “NAV”)

Consolidated Balance Sheet

<i>(HK\$ in millions)</i>	As at 30 June					
	2003	%	2004	%	2005	%
Non-current assets						
Intangible assets	401.23	4.19	7.54	0.15	14.88	0.35
Fixed assets	455.15	4.75	74.41	1.44	66.11	1.56
Associated companies	2,513.86	26.26	263.19	5.09	191.25	4.52
Jointly controlled entities <i>(Note 1)</i>	18.95	0.20	64.54	1.25	72.60	1.72
Amount due from a fellow subsidiary	686.62	7.17	504.98	9.77	312.06	7.38
Loans receivable	930.33	9.72	317.82	6.15	193.13	4.58
Other investments	596.84	6.23	605.16	11.71	139.20	3.29
Deposits for purchase of fixed assets	936.55	9.79	0.00	0.00	0.00	0.00
Deposits for proposed investments	1,699.87	17.76	1,613.45	31.22	37.98	0.90
	<u>8,239.40</u>	<u>86.07</u>	<u>3,451.09</u>	<u>66.78</u>	<u>1,027.21</u>	<u>24.30</u>

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<i>(HK\$ in millions)</i>	2003	%	As at 30 June		2005	%
			2004	%		
Current assets						
Inventories and programmes	404.80	4.23	70.80	1.37	50.44	1.19
Debtors, deposits and prepayments	181.13	1.89	194.95	3.77	149.82	3.54
Deposits for proposed investments	0.00	0.00	0.00	0.00	1,531.20	36.23
Current portion of loans receivable	70.78	0.74	620.00	12.00	719.86	17.03
Amounts due from fellow subsidiaries	103.54	1.08	181.64	3.51	232.06	5.49
Pledged deposits	362.48	3.79	446.94	8.65	360.66	8.53
Bank balances and cash	211.18	2.20	202.29	3.92	155.59	3.69
	<u>1,333.91</u>	<u>13.93</u>	<u>1,716.62</u>	<u>33.22</u>	<u>3,199.63</u>	<u>75.70</u>
Total assets	<u>9,573.31</u>	<u>100.00</u>	<u>5,167.71</u>	<u>100.00</u>	<u>4,226.84</u>	<u>100.00</u>
Current liabilities						
Creditors and accruals	(42.50)	1.71	(176.62)	4.94	(229.47)	6.55
Amounts due to minority shareholders	(30.40)	1.22	(43.28)	1.21	(44.53)	1.27
Short-term bank loans						
Secured	(314.02)	12.64	(433.27)	12.13	(348.39)	9.94
Unsecured	(785.05)	31.59	(813.08)	22.76	(28.04)	0.80
Current portion of bank and other borrowings	(104.69)	4.22	(183.12)	5.13	(194.50)	5.55
	<u>(1,276.66)</u>	<u>51.38</u>	<u>(1,649.37)</u>	<u>46.17</u>	<u>(844.93)</u>	<u>24.11</u>
Non-current liabilities						
Bank and other borrowings	(1,208.09)	48.62	(1,923.04)	53.83	(2,659.04)	75.89
Total liabilities	<u>(2,484.75)</u>	<u>100.00</u>	<u>(3,572.41)</u>	<u>100.00</u>	<u>(3,503.97)</u>	<u>100.00</u>
Net assets	<u>7,088.56</u>		<u>1,595.30</u>		<u>722.87</u>	
Minority interests	<u>0.00</u>		<u>14.00</u>		<u>10.85</u>	
Net assets exclude minority interests	7,088.56		1,581.30		712.02	
Net tangible assets exclude minority interests <i>(Note 2)</i>	6,687.33		1,514.41		697.14	
Net assets per Share exclude minority interests	7.44		1.66		0.75	
Net tangible assets per Share exclude minority interests	7.02		1.59		0.73	

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Notes:

1. Investments in jointly controlled entities of 2004 included a goodwill in amount of HK\$59.35 million.
2. Net tangible assets exclude minority interests is equal to net assets minus intangible assets and minority interest.

Source: NWTMT annual reports

The net assets exclude minority interests of the NWTMT Group as at year ended 30 June 2003, 2004 and 2005 were approximately HK\$7,088.56 million, HK\$1,581.30 million and HK\$712.02 million, respectively. Based on 952,180,007 Shares in issue as at 30 June 2004 and 2005, the NAV exclude minority interest per Share for the years ended in 2004 and 2005 were approximately HK\$1.66 per Share, decreased by approximately 77.69% YoY, and approximately HK\$0.75 per Share, decreased by approximately 54.82% YoY, respectively.

To a certain extent, investors would like to value the NWTMT Group based on net tangible assets, which can measure the profitability given tangible assets is a tool to create value. We adjust the net assets by subtracting intangible assets and minority interests to determine the NWTMT's adjusted consolidated net tangible assets value exclude minority interests (the "ANTTA"). As such, the ANTTA per Share for the years ended 2004 and 2005 were approximately HK\$1.59 per Share, decreased by approximately 77.35% YoY and approximately HK\$0.73 per Share, decreased by approximately 54.09% YoY, respectively, based on the number of outstanding Shares of 952,180,007 shares as at 30 June 2004 and 2005.

4.5.1 Analysis of projects

As set out in the Circular, the NWTMT has invested in the following projects:

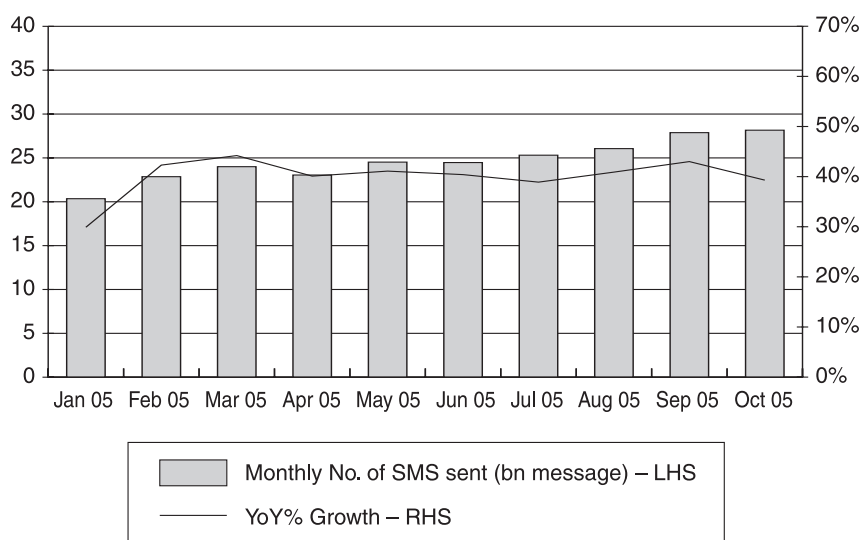
4.5.1.1 Mtone Wireless Corp

Mtone Wireless Corp ("**Mtone**"), in which the NWTMT Group has approximately 25.9% equity interest, is a mobile VAS provider in the PRC. Leveraging on an extensive clientele base of over 4.5 million customers Mtone is able to launch new services to its customers effectively. One recent highlight is the launch of the PRC's first fantasy sports game. Through an alliance with the National Basketball Association (NBA) and China Mobile Communications Corp, Mtone produced "*Fantasy NBA 2005 Pick'n Win*". In addition, Mtone launched Msport and Mmusic and entered into new marketing co-operations with both Coca-Cola and McDonald's.

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Mtone is engaged in providing wireless interactive entertainment services, such as SMS and MMS to mobile phone users in the PRC. The investment on Mtone is treated as other investments on the NWTMT's balance sheet. According to the accounting standards adopted by the NWTMT Group, investment cost on Mtone should be stated at fair value on the NWTMT's balance sheet. Fair value is estimated by the Directors with reference to market price or, in case of unquoted investments, net asset value of the respective investment. Changes in fair value of individual securities are accounted for as movements in the investment revaluation reserve until the security is sold or is determined to be impaired. Upon disposal, the cumulative gain or loss is transferred from the investment revaluation reserve to the profit and loss account. Transfers from the investment revaluation reserve to the profit and loss account as a result of impairment are written back to the profit and loss account when the circumstances and events that led to the impairment cease to exist. NWTMT will receive dividend income from Mtone as and when dividend is declared by Mtone. No dividends have been declared or received from the investment in Mtone so far. Given that Mtone reported earnings decline as set out in the annual report for the year ended 30 June 2005, NWTMT made an impairment loss of approximately HK\$70.30 million.

**Monthly No. of SMS Sent in China
(Jan 05-Oct 05)**



Source: Ministry of Information Industry

Based on the information extracted from the Ministry of Information Industry shown in the above chart, we note that monthly number of SMS sent in the past ten months was in an increasing trend from 20.35 billion messages of January 2005 to 28.16 billion messages of October 2005, representing a YoY growth of approximately 40.00%. As such, we are of the view that SMS business in the PRC is positive.

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Notwithstanding the growth in the industry, we have discussed with the Directors and understand that Mtone's revenue decline as at 30 June 2005 was mainly attributable to the decline of revenue sharing with mobile telecom and alterations in the product mix, and is not as a result of the deterioration in the operation environment of the industry. We further understand from the Directors that the fee sharing arrangement between the PRC telecom operator and NWTMT is subject to bilateral agreement on the changes of the arrangement.

We have also reviewed industrial reports on wireless interactive entertainment services and note that the entry barrier for content production is low, as such, Mtone would face severe competition from new entrants. We understand that Mtone has to rely on mobile telecom operators' platform to deliver its content to end users, and note that mobile telecom operators can control the revenue sharing terms which are in their favour. One of the reasons that Mtone's revenue for the year ended 30 June 2005 declined slightly was due to revenue sharing agreements with mobile telecom operators and alterations in the product mix.

Given that Mtone (i) faces severe competition due to low entry barrier on content production; (ii) decline in revenue sharing due to mobile telecom operators control the revenue sharing terms which are favourable to them; and (iii) the uncertainties as to the fee sharing arrangement between Mtone and the PRC telecom operator in the future, we are of the view that Mtone is operating in a difficult business environment.

4.5.1.2 China Aerospace New World Technology Limited ("CANW")

CANW, which is 50% owned by the NWTMT Group, is a project jointly developed between NWTMT and Hong Kong-listed China Aerospace International Holdings Ltd. ("**CASIL**"), a subsidiary of China Aerospace Science and Technology Corporate (the "**China Aerospace**"). CANW is a Direct-to-Home (the "**DTH**") satellite TV VAS provider in the PRC. We understand from the Directors that CANW is still at the test-run trial period and is discussing with various parties on business opportunities relating to digital TV broadcasting in the PRC.

We have discussed with the Directors and noted that CANW is planning to provide VAS such as (i) content aggregation; (ii) billing software solution; and (iii) security service against privacy, and understand that CANW would work toward providing the VAS to China Aerospace as well as other third parties as and when China Aerospace is granted the license by regulators. We understand that TV broadcasting is subject to substantive government control, and according to the Measures on the Administration of Foreign Satellite Television Channel Reception approved by the State Administration for Radio, Film and Television, foreign satellite television channels may only be received by designated places such as three-star rated and higher hotels for foreign guests, places specifically for

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foreigners to work and apartments set up for foreigners and other specified places. We have reviewed the latest version of the foreign investment catalogue published by the National Development and Reform Commission, and noted that the PRC government would not open up the access to DTH satellite TV in the short term. As such, we are of the view that CANW's VAS business will not experience an exponential growth as a result of governmental restriction in respect of satellite TV reception in the PRC.

Given that (i) CANW is in its start-up stage and has yet to be commercialised; and (ii) CANW is engaged in an industry which is subject to substantive PRC regulation on satellite TV reception, we are of the view that it is uncertain as to whether CANW will commence launching of its business, and if so, when CANW will commence making contribution to NWTMT.

4.5.1.3 Digital Bus Stop

In the financial year ended 30 June 2005, Digital Bus Stop (the "DBS") took the important step of testing its technology on the streets of Beijing. DBS is a real time information system that consists of an electronic kiosk installed at bus stops, a data collection and communication system installed on buses and an information management centre. The DBS business model is largely based on the ability of the kiosk to host commercial outdoor advertising. NWTMT expects to roll out the DBS project prior to the 2008 Beijing Olympics. The Directors commented that NWTMT is still in discussion with the relevant parties for the definitive business arrangements relating to the development of the digital bus stop systems in Beijing, and NWTMT's interest in this project is not concluded yet.

We have reviewed various industry reports and the findings of outdoor Adspend in the PRC is as follows:

	1996	1997	1998	1999	2000	2001	2002	2003	2004
Outdoor Adspend (Rmb in billions)	2.7	4.07	4.73	5.77	7.43	8.04	9.99	11.39	11.58
YoY% Growth	6.72%	50.74%	16.22%	21.99%	28.77%	8.21%	24.25%	14.01%	1.64%
% of total PRC Adspend	7.36%	8.81%	8.80%	9.28%	10.43%	10.11%	11.06%	10.56%	9.15%

Source: SAIC

Based on the above table, we note that outdoor Adspend was in an increasing trend for the period from 1996 to 2004. However, in terms of YoY% growth, the outdoor Adspend growth rate peaked in 1997 and gradually slowdown to 1.64% YoY in 2004. As a result of the growing advertising market, we note that there are more competitors engaging in different medium of outdoor advertising during the past two years, including the out-of-home television advertising by using

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audiovisual television displays instead of traditional billboards to broadcast advertising in commercial buildings or supermarkets. Given the overall increased competitions in the outdoor advertising market, we note that outdoor Adspend remains at a relatively stable proportion and accounted for approximately 10.00% of the total PRC Adspend for the past nine years, which is significantly less than traditional TV Adspend and newspaper Adspend, which accounted for approximately 38.00% and 37.00% respectively of total PRC Adspend. As such, we are of the view that TV and newspaper still represent the major platforms to promote companies' products to consumer and outdoor advertising as an alternative channel for promotion.

Given that (i) there is a slowdown in the annual growth rate of outdoor Adspend; (ii) outdoor advertising is not a dominant channel to promote companies' products to consumer in the PRC; and (iii) severe competition in general in the advertising market as explained in section 4.5.1.3, we are of the view that the operating environment in the PRC outdoor advertising market is difficult.

Based on the above, given that the operating and economic environment of the outdoor advertising market in the PRC is difficult, we are of the view that the DBS will face difficult operating business environment in 2006 even if the business is successfully launched in 2006 in accordance with the expected timetable.

4.5.1.4 New World ZGM Limited

New World ZGM Limited ("**NWZGM**"), a subsidiary of the NWTMT Group with 65% equity interest, is engaging in heat transfer technology. We understand from the Directors that NWZGM is still at the test trial stage, and is yet to commence any commercialisation products. Patent applications are pending and NWZGM is in the process of producing component parts to house heat transfer technology for heat dissipation in computers and domestic heating systems.

NWZGM is developing a substance, which has better heat conduction compared with the available substance in the market. We have discussed with Director and noted that such technology is still under research, development and testing and is unlikely to make available to the market in the near future. As such, the Directors are of the view that it is uncertain as to when NWZGM can launch commercial products to the markets. Given that (i) NWZGM is at the start-up stage; (ii) commercialisation of the heat transfer technology would not be available in the market in the near future; and (iii) more costs will be incurred for the research and development of the heat transfer technology, we are of the view that NWZGM is still at its initial start-up stage and is uncertain as to whether the products will be well-received by the markets upon launch, and if successfully launched, the timing of NWTMT in recouping its investment and ultimately, commence making contribution to the NWTMT Group.

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4.5.1.5 eBank

One strategic acquisition was completed during NWTMT's financial year ended 30 June 2005. NWTMT took a minority stake of approximately 0.8% in eBANK Corp ("eBank"). This top Japanese Internet bank holds a Japanese banking license and serves over 1.2 million customers. eBank provides payment/settlement and related bank depository services over the Internet and through 39,000 ATMs in 7-Eleven stores and Postal Savings Offices. Existing shareholders include HSBC, GE Consumer Finance, Sumitomo Corp and GEMS. eBank registered a solid net profit in its first quarter (i.e. for the three months ended 30 June 2005) and is exploring business opportunities in the PRC in conjunction with NWTMT.

We note that investment on eBank is treated as other investments on the NWTMT's consolidated balance sheet. According to the accounting standards adopted by the NWTMT Group, investment on eBank should be stated at fair value on the NWTMT's consolidated balance sheet. Fair value is estimated by the Directors with reference to market price or, in case of unquoted investments, net asset value of the respective investment. Changes in fair value of individual securities are accounted for as movements in the investment revaluation reserve until the security is sold or is determined to be impaired. Upon disposal, the cumulative gain or loss is transferred from the investment revaluation reserve to the profit and loss account. Transfers from the investment revaluation reserve to the profit and loss account as a result of impairment are written back to the profit and loss account when the circumstances and events that led to the impairment cease to exist. NWTMT will receive dividend income from eBank as and when dividend is declared by eBank. No dividends have been declared or received from the investment in eBank so far since investment made by NWTMT.

As set out in the annual report of eBank for the year end 31 March, 2005, we note that eBank reported net loss of Yen 548 million. Although eBank recorded profit for the first quarter of 2005, we note from the quarter report that no assurance as to when eBank will start distributing dividend to its shareholders. Given the relatively short operating history of eBank, the Directors are of the view that contribution from eBank in the near future will be minimal. We also note that as at the Latest Practicable Date, the NWTMT Group is interested in approximately 0.8% of the existing issued share capital of eBank. Given that (i) eBank's reported net profit for the first quarter of 2005 only reflects the performance of eBank at a relatively short period of time, which remains to be seen for eBank's full financial year performance ; (ii) uncertainty as to the dividend policy by eBank in 2006; and (iii) NWTMT's shareholding in eBank is minimal, i.e. 0.8% of eBank, we are of the view that although contribution from the investment in eBank looks positive in the long-term, it is uncertain as to whether there will be any dividend income in 2006. Moreover, as NWTMT has no board representative at eBank as a result of NWTMT's minimal interest, NWTMT Group does not have any influence on the dividend payout policy of eBank.

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4.5.1.6 Sunlong Group & Apex-Pro Systems Limited

On the telecom front, Sunlong Group (“**Sunlong**”), being wholly-owned subsidiaries of the NWTMT Group, which hold a number of licenses and marketing rights for telecom VAS in various cities of the PRC, improved its core business. One of the leading call centre operators in South China, Sunlong is studying the possibility of expansion in Beijing and Shanghai. In addition, Apex-Pro Systems Ltd (“**Apex-Pro**”), a subsidiary of the NWTMT Group with approximately 62.75% equity interest, focused on ERP solutions, joined with New World Telecommunications Limited, a wholly-owned subsidiary of NWD, to serve the enterprise market of the PRC. Sunlong recorded losses for the year ended 30 June 2005. Apex-Pro was just break-even for the year ended 30 June 2005 and it still recorded an accumulated loss up to 30 June 2005.

Having considered the above as a whole, given that (i) NWTMT was loss making in the last three years ended 30 June 2005 with no cash dividend declared; (ii) NWTMT suffered losses deriving from sharing the loss of the associated companies and jointly controlled entities in the last two years ended 30 June 2005; (iii) the NAV of the NWTMT Group has consistently declined over the past three years ended 30 June 2005 mainly due to the substantial provisions made to its investment in PrediWave, and the possibility of writing back part or the whole of the provisions made in the financial year ended 30 June 2004 in the near future is remote; (iv) decreasing in revenue and profit as a result of the operating environment of the PRC advertising market, the sector from which major income of the NWTMT Group derives, is very competitive due to deregulation by the end of 2005; (v) the remoteness of realising any substantial income or gains from any of the NWTMT Group’s investment as set out in section 4.5.1, as most of them, save for Sunlong and Apex-Pro, are currently in the start-up stage, or is loss making, we are of the view that future financial performance of the NWTMT Group in the short-term remains uncertain.

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5. ANALYSIS OF THE CANCELLATION PRICE

5.1 Share price performance

The chart below illustrates the daily closing price per Share quoted from the Stock Exchange from 1 January 2003 to 1 November 2005 (being the last trading date prior to the Announcement).



Source: Bloomberg

For the period from 1 January 2003 to 1 November 2005, being the last trading day prior to the Announcement, Share price was volatile. We have reviewed Bloomberg news for the period from 1 January 2003 to 1 November 2005 and note that the Share price reached the peak of HK\$2.025 per Share on 8 September 2003, mainly due to speculation on acquisition plan of a telecom VAS company in the PRC. After that, the Share price slipped down to HK\$1.15 per Share on 23 December 2003, mainly due to reported of significant increase of the net loss for the year ended 30 June 2003 due to the business reorganisation within the period. The Share price rebounded back to HK\$1.69 per Share on 26 January 2004 on the back of speculation on NWD to inject telecom business into NWTMT. However, the Share price gradually sank to HK\$0.42 per Share on the Last Full Trading Day, mainly due to (i) net loss posted for the interim results for the period ended 31 December 2004 and the full year result for the year ended 30 June 2005; and (ii) the commencement of litigation against Prediwave on 25 May 2004, which in our view, is one of the factors resulting in the adverse Share price performance.

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We have prepared summaries below to show the premium of the Cancellation Price over various average closing Share price.

Trading Day	Closing Share price HK\$	Premium based on the Cancellation Price %
Latest Practicable Date	0.720	4.17
The Last Full Trading Price	0.420	78.57

Source: Bloomberg

	Average closing price of the Shares HK\$	Premium based on the Cancellation Price %
5 trading days up to and including the Last Full Trading Day	0.417	79.86
10 trading days up to and including the Last Full Trading Day	0.426	76.06
30 trading days up to and including the Last Full Trading Day	0.441	70.13
60 trading days up to and including the Last Full Trading Day	0.451	66.36
180 trading days up to and including the Last Full Trading Day	0.497	50.98

Source: Bloomberg

The Price represents:

- a premium of approximately 78.57% over the closing price of HK\$0.420 per Share as quoted on the Stock Exchange on the Last Full Trading Day;
- a premium of 79.86% over the average closing price of approximately HK\$0.417 per Share based on the daily closing prices as quoted on the Stock Exchange for the 5 trading days up to and including the Last Full Trading Day;
- a premium of 76.06% over the average closing price of approximately HK\$0.426 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Full Trading Day;

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- a premium of 70.13% over the average closing price of approximately HK\$0.441 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Full Trading Day;
- a premium of 66.36% over the average closing price of approximately HK\$0.451 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Full Trading Day; and
- a premium of 50.98% over the average closing price of approximately HK\$0.497 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Full Trading Day.

As such, the Cancellation Price represents a premium in a range of 50.98% to 79.86% over the average closing price under various review periods up to and including the Last Full Trading Day as set out in the above table.

5.2 Trading volume

The following tables are set out to illustrate the total monthly Shares trading volume and the percentage of total monthly trading volume of Shares to the total issued Shares and to the Scheme Shares.

	Total monthly trading volume of the Shares <i>(Note a)</i>	% of total monthly trading volume of the Shares to the total issued Shares <i>(Note b)</i>	% of total monthly trading volume of the Shares to the Scheme Shares <i>(Note c)</i>
2003			
January	255,619,376	26.85%	58.68%
February	57,463,700	6.03%	13.19%
March	51,438,097	5.40%	11.81%
April	16,681,168	1.75%	3.83%
May	109,428,182	11.49%	25.12%
June	132,546,857	13.92%	30.43%
July	39,604,927	4.16%	9.09%
August	381,269,366	40.04%	87.52%
September	176,505,000	18.54%	40.52%
October	110,103,801	11.56%	25.28%
November	43,439,851	4.56%	9.97%
December	26,956,679	2.83%	6.19%

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	Total monthly trading volume of the Shares (Note a)	% of total monthly trading volume of the Shares to the total issued Shares (Note b)	% of total monthly trading volume of the Shares to the Scheme Shares (Note c)
2004			
January	111,949,144	11.76%	25.70%
February	47,938,048	5.03%	11.00%
March	17,315,915	1.82%	3.98%
April	6,930,800	0.73%	1.59%
May	12,968,200	1.36%	2.98%
June	11,368,600	1.19%	2.61%
July	13,219,659	1.39%	3.03%
August	8,111,483	0.85%	1.86%
September	9,961,200	1.05%	2.29%
October	18,043,000	1.89%	4.14%
November	15,735,046	1.65%	3.61%
December	10,277,000	1.08%	2.36%
2005			
January	9,088,823	0.95%	2.09%
February	15,325,886	1.61%	3.52%
March	6,962,694	0.73%	1.60%
April	54,562,291	5.73%	12.53%
May	10,940,070	1.15%	2.51%
June	10,600,311	1.11%	2.43%
July	2,701,790	0.28%	0.62%
August	5,405,658	0.57%	1.24%
September	2,353,858	0.25%	0.54%
October	5,161,200	0.54%	1.18%
November	65,658,024	6.90%	15.07%
December	2,855,200	0.30%	0.66%
(Up to the Latest Practicable Date)			

Notes:

- a. Source: Bloomberg.
- b. Based on 952,180,007 Shares in issue as at the Latest Practicable Date.
- c. Based on 435,618,522 Scheme Shares as set out in the Circular.

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2003 monthly trading volume review

In 2003, the monthly trading volume of the Shares was in a range of approximately 1.75% to 40.04% of total monthly trading volume of the Shares to the total issued Shares and in a range of approximately 3.83% to 87.52% of total monthly trading volume of the Shares to the Scheme Shares. High monthly trading volume of the Shares in 2003 compared with that in 2004 and 2005 was mainly due to the completion of the Reorganisation, positive news flow on acquisition.

We note from the Bloomberg news that the total monthly trading volume of the Shares to the total issued Shares in January was approximately 26.85%, mainly due to the completion of its Reorganisation on 29 January 2003 and evolved from a traditional infrastructure company into a TMT company. In May 2003, NWTMT announced that a wholly-owned subsidiary of NWTMT has obtained the official approval of the Radio Film and Television Bureau of Fujian Province to promote the digital service platform over the Fujian Cable TV Network using technology developed by PrediWave Corporation. In August 2003, the stock market speculated on the rumour about NWTMT to acquire a telecom VAS company in the PRC.

2004 monthly trading volume review

In 2004, the monthly trading volume of the Shares was in a range of approximately 0.73% to 11.76% of the total monthly trading volume of the Shares to the total issued Shares and in a range of approximately 1.59% to 25.70% of the total monthly trading volume of the Shares to the Scheme Shares. We note from the Bloomberg news that, in January 2004, the stock market speculated on the rumour about the injection of telecommunication business into NWTMT. As such, the total monthly trading volume of the Shares to the total issued Shares was significantly increased to approximately 11.76% from 2.83% of December 2003 and to Scheme Shares was significantly increased to approximately 25.70% from 6.19% of December 2003, respectively, of the previous month.

2005 monthly trading volume review

In 2005, we note that there was an exceptional high trading volume of Shares in April, mainly attributable to the news flow on the acquisition of eBank. Taking out the impact on April, the total monthly trading volume of the Shares to the total issued Shares was in a range of approximately 0.25% to 6.90% and the total monthly trading volume of the Shares to the Scheme Shares was in a range of approximately 0.54% to 15.07%.

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	Average monthly trading volume of Shares <i>(Note a)</i>	The range of monthly trading volume of the Shares to the total issued Shares <i>(Note b)</i>	The range of monthly trading volume of the Shares to the Scheme Shares <i>(Note c)</i>
Jan-Dec 2003	116,754,750	1.75%-40.04%	3.83%-87.52%
Jan-Dec 2004	23,651,508	0.73%-11.76%	1.59%-25.70%
Jan-Dec 2005 (including the Latest Practicable Date)	15,967,984	0.25%-6.90%	0.54%-15.07%

Notes:

- a. Source: Bloomberg.
- b. Based on 952,180,007 Shares in issue as at the Latest Practicable Date.
- c. Based on 435,618,522 Scheme Shares as set out in the Circular.

As set out in the above table, the average monthly trading volume of the Shares from 1 January 2005 to the Latest Practicable Date was approximately 15.97 million Shares, decreased by approximately 32.49% from approximately 23.65 million Shares of the average monthly trading volume of the Shares in 2004 and decreased by approximately 86.32% from approximately 116.75 million Shares of the average monthly trading volume of the Shares in 2003. On the other hand, the range of monthly trading volume of the Shares to the total issued Shares was narrowed from the range of approximately 1.75% to 40.04% of 2003 to the range of approximately 0.25% to 6.90% from 1 January 2005 to the Latest Practicable Date. The range of monthly trading volume of the Shares to the Scheme Shares was narrowed from the range of approximately 3.83% to 87.52% of 2003 to the range of approximately 0.54% to 15.07% from 1 January 2005 to the Latest Practicable Date.

Based on the above, given that the normal trading volume in the absence of any particulars news or announcement in 2005 ranged from approximately 0.25% to approximately 6.90% of the total issued Shares of the NWTMT, we are of the view that any Shareholder who wishes to dispose a significant shareholding in the market may cause certain downward pressure on the market price of the Shares. The Proposal provides an opportunity for the Scheme Shareholders to dispose their entire shareholding at the same price, if they so wish.

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5.3 Comparable companies analysis

For the assessment of the Cancellation Price, we have reviewed the implied valuation multiple based on the Cancellation Price and compared with selected comparable companies (the “**Comparable Companies**”), which are listed on the Stock Exchange. The Comparable Companies selected represent an exhaustive list of companies listed on the Stock Exchange which are engaged in similar advertising business to the NWTMT Group and that the majority of their revenue are generated in the PRC.

Name	Stock code	Market capitalisation <i>(HK\$ in millions)</i>	PE <i>(x)</i>	Enterprise value/ EBITDA <i>(x)</i>	Enterprise value/ Sales <i>(x)</i>
Seec Media Group Ltd	205	511.61	9.85	13.28	6.43
Clear Media Ltd	100	3,511.26	36.84	15.57	6.96
Media Partners International	8072	964.79	47.08	7.66	1.28
Nanjing Dahe Media Company Ltd	8243	151.06	9.49	6.75	1.78
Beijing Media Group	1000	1,973.10	7.78	12.19	3.34
TOM Online Inc.	8282	7,149.43	28.85	16.96	5.78
Average			26.01	11.83	3.83
Min			7.78	6.75	1.28
Max			47.08	16.96	6.96
NWTMT	301	685.57	NA	NA	9.69

Notes:

- a. Comparable Companies' closing price, market capitalisation and enterprise value (market capitalisation plus net debt) are based on the closing price on 3 November 2005.
- b. Share price and enterprise value is based on the Cancellation Price.
- c. Comparable Companies' sales, earnings per share and EBITDA are based on the year ended 31 December 2004.
- d. NA: Not available.
- e. Source: Bloomberg.

Given the NWTMT Group made a loss of HK\$866.22 million for the year ended 30 June 2005, both price to earnings and enterprise value to EBITDA are not available for comparison with the Comparable Companies.

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In the above table, we note that enterprise value to sales ratio of the Comparable Companies is in the range of approximately 1.28 times to 6.96 times with an average of approximately 3.83 times. Enterprise value to sales ratio is a commonly used multiple for the valuation of telecommunication, media and technology companies with net loss. The enterprise value to sales ratio of the NWTMT Group based on the Cancellation Price was approximately 9.69 times, which is higher than the range of the Comparable Companies.

Given the enterprise value to sales ratio of the NWTMT Group at approximately 9.69 times based on the Cancellation Price is higher than the range of the Comparable Companies of approximately 1.28 times to 6.96 times with an average of approximately 3.83 times, we are of the view that the Cancellation Price is fair and reasonable and is in the interest of the Scheme Shareholders.

5.4 Comparison with privatisation transactions

We compare all the announced proposals of the companies of which, (i) have been successfully completed; (ii) pending on approval from Independent Shareholders; and (iii) were not completed, in between the period from 1 January 2003 to the Latest Practicable Date in the following table (the “**Precedent Proposals**”). We note that precedent privatisations of the companies as shown below are engaged in different business compared with NWTMT, but the precedent privatisations can provide current indicative market ranges and averages for the evaluation parameters for the purpose of comparing the terms of the Proposal.

Status of the Precedent Proposals	Date of announcement of the Precedent Proposals	Company	Principal activities	Last full trading day market capitalisation (HK\$ in millions)	Offer price (HK\$)	Premium of offer price over closing price/average closing share price prior to the privatisation announcement			Premium/ (Discount) of offer price to adjusted consolidated net tangible asset value per share (%)
						Last trading day (%)	1-month trading days (%)	3-month trading days (%)	
Disapproved	19-Feb-03	eSun Holdings Limited	Hotel management, media and entertainment	7.64	0.28	27.27	30.58	5.02	(91.41)
Disapproved	23-Apr-03	Kerry Properties	Property investment and development	554.14	9.50	58.33	48.67	51.06	(39.76)
Approved	3-May-03	Top Glory International	Property investment and development	53.35	0.74	72.09	74.46	73.66	(44.78)

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Status of the Precedent Proposals	Date of announcement of the Precedent Proposals	Company	Principal activities	Last full trading day market capitalisation (HK\$ in millions)	Offer price (HK\$)	Premium of offer price over closing price/average closing share price prior to the privatisation announcement			Premium/ (Discount) of offer price to adjusted consolidated net tangible asset value per share (%)
						Last trading day (%)	1-month trading days (%)	3-month trading days (%)	
Approved	21-May-03	Oxford Properties & Finance Limited	Property investment and development	893.55	15.00	59.57	70.84	90.4	30.55
Approved	21-May-03	SIIC Medical Science and Technology (Group)	Manufacturing, sales and distribution	32.19	2.15	14.97	24.28	35.22	76.23
Approved	26-May-03	Pacific Concord Holding Limited	Manufacturing	33.25	0.65	51.16	60.89	46.40	(64.48)
Disapproved	25-Jul-03	JCG Holdings Limited	Personal and commercial lending	90.82	4.61	19.70	21.30	25.60	0.24
Approved	20-Aug-03	iLink Holdings Limited	Operation of data Centres	3.00	0.04	75.00	66.67	52.17	(7.90)
Approved	31-Oct-03	Chevalier Construction Holdings Limited	Construction services and maintenance	4.07	0.25	16.28	23.76	58.23	(21.88)
Approved	13-Oct-04	Alpha General (Holdings) Limited	Provisions of electrical appliances	88.07	0.70	125.81	133.33	125.81	(46.97)
Approved	4-Nov-04	The Kwong Sang Hong International Limited	Property trading and leasing	6.30	1.25	5.04	36.17	64.04	(31.69)
Approved	29-Dec-04	Sinopec Beijing Yanhua Petrochemical Company Limited	Petrochemical business	41.61	3.80	10.95	23.88	28.98	108.79
Approved	3-May-05	Hutchison Global Communications Holdings Limited	Telecommunications services	23.95	0.65	36.84	43.33	44.55	1797.81
Approved	19-May-05	Henderson China Holdings Limited	Property investment and development	533.36	8.00	66.67	64.27	68.42	(36.05)

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Status of the Precedent Proposals	Date of announcement of the Precedent Proposals	Company	Principal activities	Last full trading day market capitalisation (HK\$ in millions)	Offer price (HK\$)	Premium of offer price over closing price/average closing share price prior to the privatisation announcement			Premium/ (Discount) of offer price to adjusted consolidated net tangible asset value per share (%)
						Last trading day (%)	1-month trading days (%)	3-month trading days (%)	
Disapproved	12-Jul-05	Guangdong Tannery Limited	Manufacturing and sales of leather	8.99	0.28	32.10	52.20	41.40	(6.40)
Approved	16-Aug-05	Henderson Cyber Limited	Information technology services and investment	38.18	0.42	90.91	110.00	106.40	180.00
Pending on approval from Shareholders	27-Sep-05	Sunday Communication Limited	Telecommunication services	4.29	0.65	6.60	3.20	6.60	204.00
Approved	30-Aug-05	Far Eastern Polychem Industries Limited	Production and distribution of polyester products	125.62	2.20	57.10	57.70	55.00	(23.90)
Total number of 18 proposals									
Average				1,584.49		45.91	52.53	54.39	110.13
13 successfully completed proposals									
Average				1,293.04		52.49	60.74	65.33	147.36
5 disapproved or pending on approval from shareholders proposals									
Average				1,951.88		24.00	25.99	21.61	11.11
		NWTMT	Telecommunication, Media and Technology		0.75	78.57	70.13	63.66	2.74

Source: Bloomberg, announcement and offer documents of the Precedent Proposals.

5.4.1 Cancellation Price at premium/discount over the Last Full Trading Price

We note that the Cancellation Price at HK\$0.75 per Share was at a premium of approximately 78.57% over the Last Full Trading Price, which is within the range of approximately 5.04% to 125.81% and above the average of approximately 52.49% for the 13 approved privatisation transactions for the period under review.

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5.4.2 Cancellation Price at premium/discount over the average trading price for 1-month up to and including the Last Full Trading Day

We note that the Cancellation Price at HK\$0.75 per Shares was at a premium of 70.13% over 1-month average trading price up to and including the Last Full Trading Day, which is within the range of approximately 23.76% to 133.33% and above the average of approximately 60.74% for the 13 approved privatisation transactions for the period under review.

5.4.3 Cancellation Price at premium/discount over the average trading price for 3-month up to and including the Last Full Trading Day

We note that the Cancellation Price at HK\$0.75 per Shares was at a premium of approximately 63.66% over 3-month average trading price up to and including the Last Full Trading Day, which is within the range of approximately 28.98% to 125.81% and slightly below the average of approximately 65.33% for the 13 approved privatisation transactions for the period under review.

5.4.4 Cancellation Price at premium/discount to the ANTA per share

The ANTA of the NWTMT Group as at 30 June 2005 of approximately HK\$697.14 million was based on net assets exclude minority interests of approximately HK\$712.02 million extracted from the annual report as at 30 June 2005 and subtract intangible assets. On the basis of 952,180,007 Shares in issue as at 30 June 2005, the ANTA per Share as at 30 June 2005 would be approximately HK\$0.73 per Share. Hence, the Cancellation Price at HK\$0.75 per Share would be at premium of approximately 2.74% over the ANTA per Share of approximately HK\$0.73 per Share.

We note that the Cancellation Price at HK\$0.75 per Shares was at a premium of approximately 2.74% over ANTA per Share, which is within the range of the premium/(discount) of offer price over the ANTA per Share for the 13 approved privatisation transactions of approximately 64.48% in discount to approximately 1,797.81% in premium for the period under review.

Having considered the above as a whole, given that (i) the Cancellation Price at a premium of approximately 78.57% over the Last Full Trading Price, which is within the range of approximately 5.04% to 125.81% and above the average of 52.49% for the 13 approved privatisation transactions for the period under review; (ii) the Cancellation Price at a premium of approximately 70.13% over 1-month average trading price up to and including the Last Full Trading Day, which is within the range of approximately 23.76% to 133.33% and above the average of approximately 60.74% for the 13 approved privatisation transactions for the period under review; (iii) the Cancellation Price at a premium of approximately

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63.66% over 3-month average trading price up to and including the Last Full Trading Day, which is within the range of approximately 28.98% to 125.81% for the 13 approved privatisation transactions for the period under review; and (iv) the Cancellation Price at a premium of approximately 2.74% over ANTA per Share of approximately HK\$0.73, which is within the range of the premium/(discount) of the offer price over the ANTA per Share for the 13 approved privatisation transactions of approximately 64.48% in discount to approximately 1,797.81% in premium for the period under review, we are of the view that the Cancellation Price is favourable to Scheme Shareholders.

Having considered the above as a whole, given that (i) the Cancellation Price is at a premium in a range of approximately 50.98% to 79.86% over the Last Full Trading Price to the average closing prices for 5, 10, 30, 60 and 180 trading days up to and including the Last Full Trading Day; (ii) any of the Scheme Shareholders wishes to dispose of a significant shareholding in the market may cause certain downward pressure on the market price of the Share (given that the trading volume in the absence of any particular news or announcement) ranged from approximately 0.25% to approximately 15.07% of the total issued Shares of NWTMT; (iii) the enterprise value to sales ratio of NWTMT based on the Cancellation Price at approximately 9.69 times is higher than the range of the Comparable Companies of approximately 1.28 times to 6.96 times; (iv) the Cancellation Price at a premium of approximately 78.57% over the Last Full Trading Price, which is within the range of approximately 5.04% to 125.81% and is above the average of approximately 52.49% for the 13 approved privatisation transactions for the period under review; and at a premium of approximately 70.13% over the 1-month average trading price up to and including the Last Full Trading Day, which is within the range of approximately 23.76% to 133.33% and above the average of approximately 60.74% for the 13 approved privatisation transactions for the period under review; and at a premium of approximately 63.66% over the 3-month average trading price up to and including the Last Full Trading Day, which is within the range of approximately 28.98% to 125.81% for the 13 approved privatisation transactions for the period under review; and (v) the Cancellation Price at HK\$0.75 per Share is at premium of approximately 2.74% over the ANTA per Share of approximately HK\$0.73 per Share and is within the range of the premium/(discount) of offer price over the ANTA per Share for the 13 approved privatisation transactions of approximately 64.48% in discount to approximately 1,797.81% in premium for the period under review, we are of the view that the Cancellation Price is favourable to the Independent Shareholders.

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OVERALL RECOMMENDATION

Having considered the principal factors and reasons referred to above, we are of the view that the terms of the Proposal, including the Cancellation Price, are fair and reasonable in so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the appropriate resolution to approve the Scheme at the Court Meeting and a special resolution to approve and give effect to the reduction of the issued share capital of NWTMT at the Extraordinary General Meeting.

Yours faithfully,
For and on behalf of
Commerzbank AG Hong Kong Branch

Yours faithfully,
For and on behalf of
Access Capital Limited

Harald W. A. Vogt
General Manager

Helen Ho
Head of Corporate Finance
- M&A Advisory

Jeanny Leung
Managing Director

EXPLANATORY MEMORANDUM

SCHEME OF ARRANGEMENT FOR THE CANCELLATION OF THE SCHEME SHARES AND THE PAYMENT OF THE CANCELLATION PRICE

INTRODUCTION

It was announced on 2 November 2005 that NWD had on 1 November 2005 requested the Board to put forward the Proposal to the Scheme Shareholders for consideration.

The purpose of this Explanatory Memorandum is to explain the terms and the effects of the Proposal, which is to be implemented by the Scheme, and to give to the Shareholders other relevant information.

A letter from the Board is set out on pages 10 to 21 of this document. A letter from the Independent Board Committee, together with a letter from Commerzbank and Access Capital to the Independent Board Committee, in connection with the Proposal are set out on pages 22 to 61 of this document. The terms of the Scheme are set out on pages 132 to 138 of this document.

SUMMARY OF THE PROPOSAL

It is proposed that, subject to the Conditions being fulfilled or, if applicable, waived, the Proposal will be implemented by way of the Scheme, which will involve the cancellation and extinguishment of the Scheme Shares and a reduction of the issued share capital of NWTMT of HK\$435,618,522 under the Companies Law. Forthwith upon such reduction of capital taking effect, the share capital of NWTMT will be increased to its former amount of HK\$952,180,007 by the issue of the same number of Shares as is equal to the Scheme Shares cancelled and the credit arising in NWTMT's books of account as a result of the capital reduction will be applied in paying up in full at par the 435,618,522 new Shares issued, credited as fully paid, to the Controlling Party or as NWD may direct. Accordingly, NWTMT will become an indirect wholly-owned subsidiary of NWD. The Scheme also provides that, in consideration of the cancellation and extinguishment of the Scheme Shares, all of the Scheme Shareholders whose names appear on the Register at the Record Time will be entitled to receive the Cancellation Price of HK\$0.75 in cash for each Scheme Share held. **The Cancellation Price per Scheme Share will not be increased, and NWD does not reserve the right to do so.**

Payment of the Cancellation Price will be effected by cheques and implemented in full in accordance with the terms of the Scheme without regard to any lien, right of set-off, counterclaim or other analogous rights to which NWD may otherwise be, or claim to be, entitled against any Scheme Shareholders.

As at the Latest Practicable Date, there were no options, warrants or convertible securities in respect of the Shares held by NWD or parties acting in concert with it or outstanding derivatives in respect of the Shares entered into by NWD or parties acting

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in concert with it. As at the Latest Practicable Date, the authorised share capital of NWTMT was HK\$2,000,000,000 divided into 2,000,000,000 Shares and the issued share capital of NWTMT was HK\$952,180,007 divided into 952,180,007 Shares. Apart from the Shares, NWTMT does not have any warrants, options, derivatives, convertible securities or other securities in issue.

On the bases of the Cancellation Price and of a total of 435,618,522 Scheme Shares and 516,561,485 Shares of which the Controlling Party was the legal and/or beneficial owner as at the Latest Practicable Date, the entire issued share capital of NWTMT is valued at approximately HK\$714.1 million under the Proposal. The amount of cash required for the Proposal is approximately HK\$326.7 million which will be payable by NWD. NWD intends to finance the cash required for the Proposal from bank borrowings. Standard Chartered, the financial adviser to NWD, is satisfied that sufficient financial resources are available to NWD for the implementation of the Proposal.

The Scheme Shares to be cancelled (subject to, inter alia, approval of the Scheme at the Court Meeting and the passing of the special resolution to approve and give effect to the reduction of the issued share capital of NWTMT at the Extraordinary General Meeting) will be deemed to be free from all third party rights, liens, charges, claims, equities and encumbrances and together with all rights attaching thereto, including the right to receive all dividends and/or other distributions declared, made or paid on such Scheme Shares after the date of cancellation of such Scheme Shares pursuant to the Scheme.

CONDITIONS OF THE PROPOSAL

The Scheme will become effective and binding on NWTMT and all Shareholders subject to the fulfillment or waiver (as applicable) of the following Conditions:

- (a) the approval of the Scheme (by way of poll) by a majority in number of the Independent Shareholders present and voting either in person or by proxy at the Court Meeting representing not less than three-fourths in value of those Shares that are voted either in person or by proxy by the Independent Shareholders at the Court Meeting, provided that the Scheme is not disapproved (by way of poll) by Independent Shareholders at the Court Meeting holding more than 10% in value of all the Shares held by the Independent Shareholders;
- (b) the passing of a special resolution to approve and give effect to the reduction of the share capital of NWTMT by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at a general meeting of NWTMT;
- (c) the Grand Court's sanction of the Scheme (with or without modifications) and its confirmation of the reduction of the share capital of NWTMT, and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Grand Court for registration;

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- (d) compliance, to the extent necessary, with the procedural requirements of Section 15 of the Companies Law and compliance with any conditions imposed under Section 16 of the Companies Law in each case in relation to the reduction of the issued share capital of NWTMT;
- (e) all Authorisations in connection with the Proposal having been obtained or made from, with or by (as the case may be) the Relevant Authorities, in the Cayman Islands and/or Hong Kong and/or any other relevant jurisdictions;
- (f) all Authorisations remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any Relevant Authorities which is not expressly provided for, or is in addition to requirements expressly provided for, in relevant laws, rules, regulations or codes in connection with the Proposal or any matters, documents (including circulars) or things relating thereto, in each aforesaid case up to and at the time when the Scheme becomes effective;
- (g) all necessary consents which may be required under any existing contractual obligations of NWTMT being obtained; and
- (h) if required, the obtaining by NWD of such other necessary consent, approval, authorisation, permission, waiver or exemption which may be required from any Relevant Authorities or other third parties which are necessary or desirable for the performance of the Scheme under the applicable laws and regulations.

NWD reserves the right to waive conditions (e), (f), (g) and (h) either in whole or in part in respect of any particular matter. Conditions (a) to (d) cannot be waived in any event. All of the above conditions will have to be fulfilled or waived, as applicable, on or before 31 May 2006 (or such later date as NWD and NWTMT may agree or, to the extent applicable, as the Grand Court may direct), failing which the Scheme will lapse.

Assuming that all of the Conditions are fulfilled or, where applicable, waived, the Scheme will become effective on the Effective Date, which is expected to be Monday, 20 February 2006. Further press announcements will be made giving details of the results of the Meetings and, if the resolutions are passed at the Meetings, the last day for dealing in the Shares, the Record Time, the result of the hearing of the petition to sanction the Scheme and to confirm the reduction of capital of NWTMT by the Grand Court, the Effective Date and the date of the withdrawal of the listing of the Shares on the Stock Exchange.

The Scheme will lapse if it does not become effective on or before 31 May 2006 (or such later date as NWD and NWTMT may agree or, to the extent applicable, as the Grand Court may allow) and the Scheme Shareholders will be notified accordingly by press announcements.

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Independent Shareholders (including any beneficial owner of such Shares that gave voting instructions to a custodian or clearing house that subsequently voted at the Court Meeting) should note that they are entitled to appear in person or by counsel at the Grand Court at the 20 February 2006 hearing at which NWTMT will seek the sanction of the Scheme.

FINANCIAL EFFECTS OF THE PROPOSAL

Share Price

The Cancellation Price represents:

- a premium of approximately 78.6% over the closing price of HK\$0.42 per Share as quoted on the Stock Exchange on 1 November 2005 (being the last full trading day in the Shares prior to the suspension of trading in the Shares pending the issue of the Announcement);
- a premium of approximately 76.1% over the average closing price of approximately HK\$0.426 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including 1 November 2005;
- a premium of approximately 70.1% over the average closing price of approximately HK\$0.441 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including 1 November 2005;
- a premium of approximately 66.4% over the average closing price of approximately HK\$0.451 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including 1 November 2005;
- a premium of approximately 51.0% over the average closing price of approximately HK\$0.497 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including 1 November 2005; and
- a premium of approximately 4.2% over the closing price of HK\$0.72 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

Historical share price information on the Shares is set out in Section 2 of Appendix II to this document.

Net Assets

As at 30 June 2005, the audited consolidated net assets of the NWTMT Group amounted to approximately HK\$712.0 million or approximately HK\$0.75 per Share. The Cancellation Price represents the audited consolidated net asset value per Share of approximately HK\$0.75 as at 30 June 2005.

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Losses

The NWTMT Group's audited consolidated loss for the year ended 30 June 2005 was approximately HK\$866.2 million, representing a loss per Share of approximately HK\$0.91. The loss included a full provision of approximately HK\$377 million made against an unlisted investment in Intellambda Systems Inc..

The NWTMT Group's audited consolidated loss in respect of the previous financial year ended 30 June 2004 was approximately HK\$5,507.3 million which is equivalent to a loss per Share of approximately HK\$5.78. The loss was mainly due to a major provision in respect of investments in the interactive digital cable TV business for an aggregated amount of approximately HK\$4,392 million, comprising (i) impairment losses on intangible assets and fixed assets and write-down of inventories to net realisable value totalling HK\$1,310 million; and (ii) provisions for deposits for purchase of fixed assets and loans to investee companies and impairment losses on other investments totalling HK\$3,082 million, all of which are the subject of the NWTMT Complaint set out under Section 5 headed "Material Litigation" in Appendix II to this document.

Dividend Yield

NWTMT has not paid cash dividend after the financial year ended 30 June 2000.

REASONS FOR AND BENEFITS OF THE PROPOSAL

The trading volume of the Shares has been thin, resulting in the low liquidity of the Shares. The average daily trading volume for the 6 months up to and including 1 November 2005 (being the last full trading day in the Shares prior to the suspension of trading in the Shares pending the issue of the Announcement) of approximately 296,118 Shares was approximately 0.09% of the free float of the Shares trading on the Stock Exchange. Given the low liquidity of the Shares traded on the Stock Exchange and NWTMT has not paid cash dividend after fiscal year 2000, the directors of NWD are of the opinion that there is currently limited exit potential for the Scheme Shareholders.

Since the NWD Group already own approximately 54.60% of NWTMT as at the Latest Practicable Date, the directors of NWD believe that it is unlikely that the Scheme Shareholders will receive any other general offer from a third party to acquire the Scheme Shares, as such offer would not succeed without the approval of NWD. In addition, Shareholders should note that no discussions have taken place (or are taking place) with any third party regarding the disposal of any of the Shares held by NWD and NWD have no intention of discontinuing NWTMT's businesses.

The directors of NWTMT have been informed by the board of directors of NWD that the Proposal will simplify the group structure and will bring about more flexibility to take the businesses of the NWTMT Group forward in an efficient and sustainable manner.

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The directors of NWTMT have also been informed by the board of directors of NWD that the Cancellation Price was determined on a commercial basis after taking into account the figures referred to in the sections headed “Financial Effects of the Proposal – Share Price” and “Financial Effects of the Proposal – Net Assets” of this Explanatory Memorandum and with reference to other privatisation transactions in the past few years.

The Board has decided to put forward the Proposal to the Scheme Shareholders for their consideration. As the Cancellation Price represents a premium of approximately 76.1%, approximately 70.1%, approximately 66.4% and approximately 51.0% over the 10-day, 30-day, 60-day and 180-day approximate average closing price per Share as detailed above, the Board believes that the Proposal will provide an opportunity for all Scheme Shareholders to realise their investments in NWTMT at a price significantly above the then prevailing market price of the Shares.

INFORMATION RELATING TO THE NWTMT GROUP

History

NWTMT is a company incorporated in the Cayman Islands with limited liability, whose shares have been listed on the Stock Exchange since 27 October 1995. The principal business activities of the NWTMT Group are development, investment, operation and/or management of telecommunications, media and technology businesses in Hong Kong and the PRC.

Upon the Scheme becoming effective, NWTMT will become an indirect wholly-owned subsidiary of NWD.

Financial information

A summary of the audited consolidated results of NWTMT for the two financial years ended 30 June 2004 and 2005 is set out below:

	For the year ended	
	30 June 2005	30 June 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	353,774	368,847
Operating loss	(588,521)	(5,306,510)
Loss before taxation	(877,072)	(5,527,129)
Loss after taxation (but before minority interests)	(881,236)	(5,527,866)
Loss attributable to Shareholders	(866,224)	(5,507,258)

Net assets

As at 30 June 2005, the audited consolidated net assets of NWTMT were approximately HK\$712.0 million or approximately HK\$0.75 per Share.

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Operational review

Media operations form the largest component of the NWTMT revenue contribution. In this regard, Beijing Xintong Media & Cultural Development Co., Ltd. (“Xintong Media”) continues to lead the investment portfolio in terms of revenue generation. Overall, revenues rose as Xintong Media continued its transformation into a multimedia advertising and content provider. Particular headway was made on the content front. Xintong TV and Film Control Centre produced a 30-part dynasty TV series for the national network. Jindun Xintong Movie & TV Culture Company, specialised in police movies for the Ministry of Public Security, produced its first non-police movie. Xintong Media plans to invest further to expand its TV drama and movie making capabilities in order to become a significant player in the industry. On the advertising side, Xintong Media targets to achieve a steady growth in the coming years.

Mtone Wireless Corp (“Mtone”) performed relatively well in the highly competitive Mainland China mobile value-added services (“VAS”) market, though revenues decreased slightly due to alterations in the product mix and revenue sharing agreements with mobile telecom operators. Working off a base of over 4.5 million customers, Mtone can effectively introduce new services. One recent highlight is the launch of China’s first fantasy sports game. Through an alliance with the National Basketball Association (NBA) and China Mobile Communications Corp, Mtone produced “*Fantasy NBA 2005 Pick’n Win*”. In addition, Mtone launched Msport and Mmusic and entered into new marketing co-operations with both Coca-Cola and McDonald’s.

The China Aerospace New World Technology Ltd (“CANW”) venture is a driving force in the NWTMT digital TV initiative. This partnership combines the resources of NWTMT with those of Hong Kong-listed China Aerospace International Holdings Ltd. (“CASIL”), a subsidiary of China Aerospace Science and Technology Corp (“China Aerospace”). CANW will play a major role in the China Aerospace effort to become a Direct-to-Home (“DTH”) satellite TV VAS provider. With the issuance of a license pending, regulators discussed the role which China Aerospace may assume in the broadcast component of a DTH TV business that is expected to be launched in late 2006.

The Digital Bus Stop (“DBS”) is a promising project for NWTMT. In the financial year ended 30 June 2005, DBS took the important step of testing its technology on the streets of Beijing. DBS is a real time information system that consists of an electronic kiosk installed at bus stops, a data collection and communication system installed on buses and an information management centre. The DBS business model is largely based on the ability of the kiosk to host commercial outdoor advertising. NWTMT expects to roll out the DBS prior to the 2008 Beijing Olympics.

New World ZGM Ltd (“NWZGM”), a venture to produce heat transfer technology, is making strides in commercialization. Patent applications are pending and NWZGM is in the process of producing component parts to house heat transfer technology for heat

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dissipation in computers and domestic heating systems. Further investment was made to strengthen the R&D aspect of the business.

One strategic acquisition was completed during the financial year ended 30 June 2005. NWTMT took a minority stake in eBANK Corp (“eBank”). This top Japanese Internet bank holds a Japanese banking license and serves over 1.2 million customers. eBank provides payment/settlement and related bank depository services over the Internet and through 39,000 ATMs in 7-Eleven stores and Postal Savings Offices. Existing shareholders include HSBC, GE Consumer Finance, Sumitomo Corp and GEMS. eBank registered a solid net profit in its first quarter (ended June 2005) and is exploring business opportunities in China in conjunction with NWTMT. eBank has decided to start overseas operations with representative offices being established within 2006. This will enable customers in Japan to enjoy merits such as cheaper commission charges, compared to other financial institutions, when remitting money abroad.

On the telecom front, Sunlong Group (“Sunlong”), which holds a number of licenses and marketing rights for telecom VAS in Mainland cities, improved its core business. One of the leading call centre operators in South China, Sunlong is studying the possibility of expansion in Beijing and Shanghai. In addition, Apex-Pro Systems Ltd (“Apex-Pro”), a subsidiary focused on ERP solutions, joined with New World Telecommunications Limited to serve the China enterprise market.

Liquidity and financial resources

As at 30 June 2005, the NWTMT Group had total cash and bank balances of approximately HK\$516.3 million. Attributable Debt (being an aggregation of long-term bank loans of approximately HK\$516 million, short-term bank loans of approximately HK\$376 million and other borrowings of approximately HK\$2,337 million less a bank loan undertaken by NWS of approximately HK\$505 million) as at 30 June 2005 was approximately HK\$2.72 billion. As at 30 June 2005, the gearing ratio (being the ratio of Attributable Debt to equity) was 383% and net current assets was approximately HK\$2,355 million. The existing bank borrowings were all in Renminbi at fixed interest rates and represented 14% of Attributable Debt. The remaining Attributable Debt was in Hong Kong dollars at floating rates. The Attributable Debt was mainly unsecured, except for HK\$360 million which were secured by pledged deposits and fixed assets. In addition, NWS had undertaken to repay the principal and interest of a bank loan of the NWTMT Group, of approximately HK\$505 million as at 30 June 2005, from time to time as they fall due. The loan is secured by NWS’ interests in certain joint ventures in Mainland China. On 22 September 2005, New World Finance Company Limited, a fellow subsidiary of NWTMT, agreed to extend the unsecured revolving credit facility to NWTMT of HK\$3,530 million (included the outstanding loan balance and accrued interest payable totalling HK\$2,408 million as at 30 June 2005) from 13 April 2006 to 21 March 2007.

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Litigation – PrediWave

The NWTMT Complaint

As set out in the annual report as at 30 June 2005, the NWTMT Group filed complaints to the Superior Court of the State of California for the County of Santa Clara in the United States of America (“US Court”) (the “NWTMT Complaint”) against the PrediWave Companies and Mr. Tony Qu, the president and founder of the PrediWave Companies in May 2004. Under the NWTMT Complaint, NWTMT alleged that, in reliance of the representations given by Mr. Tony Qu and PrediWave, the NWTMT Group entered into various agreements with the PrediWave Companies under which the NWTMT Group invested in the PrediWave Companies and placed various purchase orders for goods and services relating to the technology of video-on-demand and other digital broadcasting and related technology and added value services (the “Technology”). The NWTMT Group had paid approximately HK\$5 billion to the PrediWave Companies for investments in and loans to the PrediWave Companies, and purchases of goods and services from the PrediWave Companies. NWTMT complained of various breaches in relation to goods and services relating to the Technology, by Mr. Tony Qu and the PrediWave Companies relating to the parties’ agreements. Accordingly, the NWTMT Group claimed damages for an amount to be determined at trial together with interest, rescission of all agreements, restitution of all monies obtained from the NWTMT Group, punitive and exemplary damages, costs of legal proceedings and other declaratory relief and equitable relief. The total monetary amount sought by the NWTMT Group in the lawsuit exceeds US\$700 million (approximately HK\$5,460 million).

The directors of NWTMT considered that the NWTMT Complaint will not be concluded in a short period of time and the outcome of the NWTMT Complaint cannot be predicted. NWTMT has discussed with the external counsel of the NWTMT Group on the NWTMT Complaint, and note the following:

- (i) a preliminary trial date of the NWTMT Complaint has been fixed at 16 June 2006 (the “Trial Date”). NWTMT understand from the counsel that notwithstanding the fixture of the Trial Date, there is still a possibility of delay as such date was fixed in accordance with a timetable that assumes all litigation procedures and events will be adhered. The counsel is of the view that there can be numerous reasons leading to a possible delay, hence, it is uncertain to provide an estimate as to the timing of another trial date if the Trial Date is to be delayed;
- (ii) the outcome of the Trial, is subject to appeal by NWTMT and the PrediWave Companies; and
- (iii) no settlement negotiation has been discussed between the NWTMT Group, including the directors of NWTMT, and the PrediWave Companies; nor has the NWTMT Group initiated or proposed any out-of-court settlement to the

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NWTMT Complaint. Pursuant to Rule 222 of the California Rules of Court, on the court's own motion or at the request of any party, the court may set a mandatory settlement conference. Based on the discussions with the external counsel of the NWTMT Group, as a practical matter, mandatory settlement conferences are conducted in all cases in California unless the parties instead participate in a voluntary settlement conference or some other settlement or mediation which the court considers to be an adequate alternative to a mandatory settlement conference. It is, therefore, probable that a settlement conference or mediation will be held in this case before trial. NWTMT further understand from the external counsel that the mere fact that a settlement conference or mediation is held does not mean that the lawsuit will settle, and accordingly, there can be no certainty or assurance that the case will settle, regardless of whether a settlement conference or mediation is held.

Further from the annual report of NWTMT, the directors of NWTMT consider that they cannot effectively monitor the utilisation of funds by the PrediWave Companies, they expect that the utilisation of funds for legal costs and other causes beyond their control will be significant throughout the period up to the date when the NWTMT Complaint is concluded. NWTMT has applied for a temporary restraining order against the PrediWave Companies in 2004, such application was denied by the US Court without explanation.

The directors of NWTMT have, (i) in the absence of the availability of meaningful and updated financial information on the PrediWave Companies; and (ii) the uncertainty of the timing and the outcome of the litigation which would have a consequential significant effect on the amount of assets recoverable, made a full provisions of HK\$3,082 million in the accounts for the year ended 30 June 2004 against the NWTMT Group's investments in the PrediWave Companies, loans to the PrediWave Companies and deposits paid to PrediWave remains most appropriate for the purpose of the accounts for the year ended 30 June 2005.

In respect of the likelihood of the recovery of HK\$3,082 million in the event of the success of the NWTMT Complaint, apart from the timing and outcome uncertainties of the litigation, in the event that NWTMT succeeds in the ultimate hearing, NWTMT has to apply for enforcement of the judgment against the PrediWave Companies. In the event that the PrediWave Companies are unable or unwilling to pay for the judgment, winding-up proceedings or other enforcement orders might have to be initiated against the PrediWave Companies. As discussed above, currently, the directors of NWTMT are unable to ascertain the financial position of the PrediWave Companies nor the directors of NWTMT will have any control over any of the assets, including cash, of the PrediWave Companies, therefore, the directors of NWTMT are uncertain as to whether the PrediWave Companies will have enough assets to satisfy the judgment in the event that NWTMT succeeds in the NWTMT Complaints. Approximately HK\$73.9 million has been used to initiate and defend the NWTMT Complaints for the year ended 30 June 2005.

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The PrediWave Cross-Complaint

In May 2004, PrediWave filed a complaint in the United States District Court for the Northern District of California against NWTMT (collectively the “PrediWave Complaint”). In January 2005, PrediWave dismissed the PrediWave Complaint and filed a counter claim against NWTMT to the Superior Court of the State of California for the County of Santa Clara (the “PrediWave Cross-Complaint”). Under the PrediWave Cross-Complaint, PrediWave alleged that the NWTMT Group had failed to make full payments under four purchase orders and one agreement for goods and services delivered or licenses granted by PrediWave to the NWTMT Group relating to the Technology totalling approximately US\$72 million (approximately HK\$564 million). As a result, PrediWave claimed damages against NWTMT in an amount to be proved at trial, together with interest and costs of legal proceedings, restitution of the reasonable value of goods delivered to NWTMT and a declaration that PrediWave should be entitled to retain the deposits made by NWTMT under various purchase orders and agreements.

NWTMT believes it has proper and valid defences to the PrediWave Cross-Complaint, and accordingly, no provisions for commitment and/or loss has been accounted for in the accounts of the NWTMT Group.

The legal proceedings of the NWTMT Complaint and the PrediWave Cross-Complaint will take at least months or even a few years, if there is an appeal process after the judgment, to come to a final settlement at court. Furthermore, even after a judgment in favour of NWTMT is handed down by the court, there may still be enforcement issues as to whether PrediWave will have any assets to satisfy judgment debts then, given that there is no freezing of assets or close control of it in the meantime. Furthermore, the directors of NWTMT have confirmed that since the filing of the NWTMT Complaint in May 2004, there has not been any discussions or negotiations between the NWTMT Group, the directors of NWTMT or any of its legal representatives and PrediWave with regard to any out of court settlement. Notwithstanding that there has been no discussions or negotiations between the parties as to out of court settlement, as noted from above, it is probable that the court may set a mandatory settlement conference before trial for the parties to consider out of court settlement. However, it is still uncertain at this point that the case will be settled if there is a settlement conference or mediation is held.

Given that (i) it will take a long period of time for the conclusion of the legal proceedings of the NWTMT Complaint and the PrediWave Cross-Complaint as explained above and the uncertainty of the outcome as advised by the legal counsel; (ii) even if NWTMT obtains a judgment in its favour, there will still be uncertainty as to the enforcement of the judgment debts; (iii) the NWTMT Group and its legal representatives have confirmed that there has been no discussions or negotiations between the parties with regard to out of court settlement, which may shorten the time to settle this dispute, the directors of NWTMT are of the view that, based on the advice from the legal counsel on the NWTMT Complaint and the PrediWave Cross-Complaint, the possibility of writing back part or the whole of the provisions in the financial year ended 30 June 2004 made with respect to the NWTMT Complaint in the near future is remote.

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FUTURE INTENTIONS

NWD does not intend to dispose of or procure the Controlling Party to dispose of its beneficial interests in NWTMT, nor does it intend to discontinue any of the NWTMT Group's businesses following the implementation of the Proposal. NWD has no intention of discontinuing NWTMT's businesses upon the privatisation of NWTMT.

The directors of NWD have confirmed that, upon the privatisation of NWTMT, they do not intend to make any significant changes to the existing businesses in the near future.

Whether or not the Proposal is implemented, the directors of NWD do not have any intention to make any significant changes to the existing businesses, employment of the staff of the NWTMT Group or any significant redeployment of its fixed assets.

The listing of the Shares on the Stock Exchange will be withdrawn if the Scheme is implemented and be maintained in the event that the Scheme is not approved or withdrawn or lapses.

INFORMATION RELATING TO THE INTERESTS OF THE CONTROLLING PARTY, THE EXCLUDED PARTIES AND THE DIRECTORS OF NWTMT

As at the Latest Practicable Date, the Controlling Party was the legal and/or beneficial owner of 516,561,485 Shares, representing approximately 54.25% of the issued share capital of NWTMT. Such Shares, by reason of the fact that the Controlling Party is an indirect wholly-owned subsidiary of NWD, will not form part of the Scheme Shares, and accordingly, will neither be represented nor voted at the Court Meeting to approve the Scheme. The Controlling Party has also indicated that if the Scheme is approved at the Court Meeting, those Shares of which it is the legal and/or beneficial owner will be voted in favour of the special resolution to be proposed at the Extraordinary General Meeting to approve and give effect to the reduction of the issued share capital of NWTMT.

In view of the interests of NWD in the Proposal and the direct or indirect relationships between the Excluded Parties and NWD as explained in the following paragraph, all of the 4,363,522 Shares of which the Excluded Parties are the legal and/or beneficial owners (representing approximately 0.46% of the issued share capital of NWTMT) will not be represented or voted at the Court Meeting to approve the Scheme as the Excluded Parties are presumed to be parties acting in concert with NWD under the Takeovers Code. These Shares do however form part of the Scheme Shares. There is no prohibition restricting the Excluded Parties from attending and voting at the Extraordinary General Meeting to approve and give effect to the reduction of the issued share capital of NWTMT.

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As at the Latest Practicable Date, FCIL, a wholly-owned subsidiary of NWS, which in turn was a non wholly-owned subsidiary of NWD, was the beneficial owner of 3,357,600 Shares, representing approximately 0.35% of the issued share capital of NWTMT; Brighton Management, which was wholly-owned by Mrs. Cheng, was the beneficial owner of 1,000,000 Shares, representing approximately 0.11% of the issued share capital of NWTMT; Dr. Sin Wai-Kin, David, an executive director of NWD, was the legal and/or beneficial owner of 5,594 Shares; Dr. Sin Wai-Kin, David was also deemed to be interested in the 53 Shares owned by his spouse, Madam Sin Lau Po-Lan; Mr. Liang Chong-Hou, David, an executive director of NWD, was the beneficial owner of 262 Shares; and Standard Chartered and other members of its group which were deemed to be acting in concert with NWD under the Takeovers Code were the beneficial owners of 13 Shares. In the circumstances, the legal and/or beneficial owners of these Shares, who are “Excluded Parties”, are presumed to be parties acting in concert with NWD under the Takeovers Code because of their direct or indirect relationship with NWD.

Further information in respect of the interests of the directors of NWTMT, whether as such directors, Excluded Parties or Shareholders or otherwise, and the effect thereon of the Scheme, in so far as it is different from the effect on the like interests of the other Scheme Shareholders, are set out under Section 3 headed “Disclosure of Interests” in Appendix II to this document.

SHARE CERTIFICATES, DEALINGS AND LISTING

Upon the Scheme becoming effective, all of the Scheme Shares will be cancelled and extinguished, and all the certificates representing the Scheme Shares will, accordingly, cease to have effect as documents or evidence of title.

NWTMT will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange immediately following the Effective Date, which is expected to take place on Monday, 20 February 2006. In such an event, the listing of the Shares on the Stock Exchange is expected to be withdrawn on Tuesday, 21 February 2006.

The Scheme Shareholders will be notified of the exact dates on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange become effective by press announcements.

If the Scheme is not approved or withdrawn or lapses, the listing of the Shares on the Stock Exchange will be maintained.

REGISTRATION AND PAYMENT

It is proposed to close the Register immediately after 4:00 p.m. on Friday, 17 February 2006, or such other date as may be notified to the Scheme Shareholders by press announcements, in order to establish entitlements to the Cancellation Price under

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the Scheme. The Scheme Shareholders or their successors in title should ensure that their Shares are registered or lodged for registration in their names or in the names of their nominees before the Register is closed. NWTMT's branch share registrar in Hong Kong is Standard Registrars Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong. With effect from 3 January 2006, NWTMT's branch share registrar in Hong Kong, Standard Registrars Limited, will be relocated to 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

Assuming that the Scheme becomes effective on Monday, 20 February 2006, cheques for the Cancellation Price will be sent to the Scheme Shareholders whose names appear on the Register at the Record Time, such cheques are expected to be despatched to the Scheme Shareholders on or before Thursday, 2 March 2006, and in any event within ten days from the Effective Date. As provided in the Scheme, on or after the day being six calendar months after the posting of such cheques, NWD shall have the right to cancel or countermand payment of any such cheque which has not then been cashed or has been returned uncashed, and shall place all monies represented thereby in a deposit account in NWTMT's name with a licensed bank in Hong Kong selected by NWTMT. NWTMT shall hold such monies on trust for those entitled under the terms of the Scheme until the expiry of six years from the Effective Date and shall, prior to such date, make payments thereout of the sums in accordance with Clause 3(e) of the Scheme to persons who satisfy NWTMT that they are respectively entitled thereto and that the cheques of which they are payees have not been cashed. On the expiry of six years from the Effective Date, NWD shall be released from any further obligation to make any payments under the Scheme and NWTMT shall thereafter transfer to NWD the balance (if any) of the sums then standing to the credit of the deposit account in its name subject, if applicable, to the deduction of any interest or withholding or other tax or any other deduction required by law and subject to the deduction of any expenses.

In the absence of any specific instructions to the contrary received in writing by NWTMT's branch share registrar in Hong Kong, Standard Registrars Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, cheques will be sent by post in pre-paid envelopes to the Scheme Shareholders whose names appear on the Register at the Record Time at their respective addresses or, in the case of joint Scheme Shareholders, to the registered address of that joint holder whose name stands first in the Register in respect of the joint holding. With effect from 3 January 2006, NWTMT's branch share registrar in Hong Kong, Standard Registrars Limited, will be relocated to 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong. All such cheques will be sent by post in pre-paid envelopes at the risk of the persons entitled thereto and neither NWD nor NWTMT will be liable for any loss or delay in transmission.

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OVERSEAS SCHEME SHAREHOLDERS

In so far as those Scheme Shareholders not resident in Hong Kong are concerned, they may be subject to the laws of the jurisdictions in which they reside. Such Scheme Shareholders should inform themselves of and observe any applicable legal or regulatory requirements. It is the responsibility of any overseas Scheme Shareholders to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental approval, exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction.

TAXATION

As the Scheme does not involve the sale and purchase of Hong Kong stock, no stamp duty will be payable pursuant to the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) on the cancellation and extinguishment of the Scheme Shares upon the Scheme becoming effective.

The Scheme Shareholders, whether in Hong Kong or in other jurisdictions, are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of the Proposal and, in particular, whether the receipt of the Cancellation Price would make such Scheme Shareholders liable to taxation in Hong Kong or in other jurisdictions.

MEETINGS

In accordance with the direction of the Grand Court, the Court Meeting has been convened for the purpose of considering and, if thought fit, passing the appropriate resolution to approve the Scheme (with or without modifications). As regards the requirements under the Takeovers Code (and the Companies Law), such a resolution will only be considered to have been passed if (i) the Scheme is approved by a majority in number representing at least 75% of the votes attaching to the Shares of the Independent Shareholders that are cast either in person or by proxy at the Court Meeting; and (ii) the number of votes cast (by way of poll) against the resolution at the Court Meeting is not more than 10% in value of all the Shares held by all of the Independent Shareholders. Based on 431,255,000 Shares held by the Independent Shareholders as at the Latest Practicable Date, 10% of such Shares amounted to 43,125,500 Shares. As at the Latest Practicable Date, the Controlling Party was the legal and/or beneficial owner of 516,561,485 Shares, representing approximately 54.25% of the issued share capital of NWTMT. Such Shares, by reason of the fact that the Controlling Party is an indirect wholly-owned subsidiary of NWD, will not form part of the Scheme Shares and, accordingly, will neither be represented nor voted at the Court Meeting to approve the Scheme. In addition, the Excluded Parties, who as at the Latest Practicable Date were collectively the legal and/or beneficial owners of

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4,363,522 Shares, representing approximately 0.46% of the issued share capital of NWTMT, and their nominees in whose names some of the Shares of which they are beneficially interested are registered, will not, for the reasons already explained above, be entitled to attend at the Court Meeting in person or by proxy in their capacity as Scheme Shareholders for the purpose of voting those Shares.

Immediately following the Court Meeting, the Extraordinary General Meeting has been convened for the purpose of considering and, if thought fit, passing a special resolution to approve and give effect to the reduction of the issued share capital of NWTMT. The special resolution will be passed provided that it is approved by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at the Extraordinary General Meeting. All Shareholders will be entitled to attend and vote on such special resolution at the Extraordinary General Meeting. The Controlling Party has also indicated that if the Scheme is approved at the Court Meeting, those Shares held by it will be voted in favour of the special resolution to be proposed at the Extraordinary General Meeting to approve the reduction of the issued share capital of NWTMT. There is no prohibition restricting the Excluded Parties from attending and voting at the Extraordinary General Meeting.

Notices of the Meetings are set out on pages 139 to 143 of this document. The Meetings will be held on Friday, 13 January 2006 at the respective times specified in such notices at Concord Room, 8th Floor, Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong.

DEMAND FOR POLL AT THE EXTRAORDINARY GENERAL MEETING

In accordance with Article 80 of the articles of association of NWTMT, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded or otherwise required under the Listing Rules. A poll may be demanded by:

- (a) the chairman of the meeting; or
- (b) any of the directors of NWTMT who individually or collectively (with the chairman of the meeting) hold proxies in respect of Shares representing five per cent. or more of the total voting rights at the meeting where, on a show of hands, such meeting votes in the opposite manner to that instructed by the grantors of those proxies; or
- (c) at least five members present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and entitled to vote; or
- (d) any member or members present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all members having the right to attend and vote at the meeting; or

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- (e) any member or members present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and holding Shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all Shares conferring that right.

ACTION TO BE TAKEN BY THE SHAREHOLDERS

A pink form of proxy for use at the Court Meeting and a white form of proxy for use at the Extraordinary General Meeting are enclosed with this document.

Whether or not you are able to attend the Meetings in person, the Independent Shareholders are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting and the Shareholders are strongly urged to complete and sign the enclosed white form of proxy in respect of the Extraordinary General Meeting in accordance with the instructions respectively printed thereon and to lodge them with the principal place of business of NWTMT in Hong Kong, at 2008, 20th Floor, New World Tower 1, 18 Queen's Road Central, Hong Kong as soon as possible, but in any case not later than the following respective times. In the case of the pink form of proxy for use at the Court Meeting, it is requested that this form of proxy be lodged not later than 10:30 a.m. on Wednesday, 11 January 2006 but if it is not so lodged, it may be handed to the chairman of the Court Meeting at the Court Meeting. In order to be valid, the white form of proxy for use at the Extraordinary General Meeting must be lodged not later than 11:00 a.m. on Wednesday, 11 January 2006. The completion and return of a form of proxy for any of the Meetings will not preclude you from attending the relevant Meeting and voting in person if you so wish. In the event that you attend a Meeting after having lodged the form of proxy, your form of proxy for that Meeting will be deemed to have been revoked.

NWTMT will only recognise persons whose names are registered on the register of members of NWTMT as Shareholders. Any beneficial owner of Shares whose Shares are held upon trust by and registered in the name of a nominee, trustee or other person will not be recognised by NWTMT as a Shareholder. Any beneficial owner of Shares (the "Beneficial Owner") whose Shares are registered in the name of a nominee, trustee, depository or any other authorised custodian or third party (the "Registered Owner") should contact such Registered Owner to give instructions to and/or to make arrangements with such Registered Owner as to the manner in which the Shares beneficially owned by the Beneficial Owner should be voted at the Court Meeting and/or the Extraordinary General Meeting. A Beneficial Owner who wishes to attend the Court Meeting and/or the Extraordinary General Meeting personally should contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable the Beneficial Owner to attend and vote at the Court Meeting and/or the Extraordinary General Meeting and for such purpose the Registered Owner may appoint the Beneficial Owner as its proxy. The appointment of a proxy by the Registered Owner at the relevant Court Meeting and/or the Extraordinary General Meeting shall be

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in accordance with all relevant provisions in the articles of association of NWTMT. In the case of the appointment of a proxy by the Registered Owner, the relevant forms of proxy shall be completed and signed by the Registered Owner and shall be lodged in the manner and before the latest time for lodging the relevant forms of proxy as more particularly set out in the paragraph above.

Any Beneficial Owner whose Shares are deposited in Central Clearing and Settlement System (“CCASS”) operated by Hong Kong Securities Clearing Company Limited and registered under the name of HKSCC Nominees Limited must, unless such Beneficial Owner is a person admitted to participate in CCASS as an investor participant (the “Investor Participant”), contact their broker, custodian, nominee or other relevant person who is, or has in turn deposited such Shares with, a CCASS participant (“Other CCASS Participant”) regarding voting instructions to be given to such persons if they wish to vote in respect of the Scheme of Arrangement. The procedure for voting in respect of the Scheme of Arrangement by the Investor Participants and the Other CCASS Participants with respect to Shares registered under the name of HKSCC Nominees Limited shall be in accordance with the “General Rules of CCASS” and the “CCASS Operational Procedures”.

For the purpose of determining the entitlements of the Independent Shareholders to attend and vote at the Court Meeting and of the Shareholders to attend and vote at the Extraordinary General Meeting, the Register will be closed from Tuesday, 10 January 2006 to Friday, 13 January 2006 (both dates inclusive) and during such period, no transfer of Shares will be effected. In order to qualify to vote at the Court Meeting and the Extraordinary General Meeting, all transfers accompanied by the relevant share certificates must be lodged with NWTMT’s branch share registrar in Hong Kong, Standard Registrars Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Monday, 9 January 2006. With effect from 3 January 2006, NWTMT’s branch share registrar in Hong Kong, Standard Registrars Limited, will be relocated to 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong.

Assuming that the Conditions are fulfilled or, where applicable, waived, the Scheme will become effective on the Effective Date, which is expected to be on Monday, 20 February 2006. Further press announcements will be made giving details of the results of the Meetings and, if all the resolutions are passed at the Meetings, the last day for dealing in the Shares, the Record Time, the result of the hearing of the petition to sanction the Scheme and to confirm the reduction of capital of NWTMT by the Grand Court, the Effective Date and the date of the withdrawal of the listing of the Shares on the Stock Exchange.

FURTHER INFORMATION

Further information in relation to the Proposal is set out in the Appendices to this document, all of which form part of this Explanatory Memorandum.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE NWTMT GROUP

1. THREE-YEAR FINANCIAL SUMMARY

Set out below is a summary of the audited consolidated results of the NWTMT Group for each of the three financial years ended 30 June 2003, 2004 and 2005 extracted from the 2003, 2004 and 2005 annual reports of NWTMT.

	For the year ended		
	30 June 2005	30 June 2004	30 June 2003 (Restated) <i>(Note 1)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	353,774	368,847	383,461
Operating loss	(588,521)	(5,306,510)	(479,932)
Loss before taxation	(877,072)	(5,527,129)	(587,268)
Taxation	(4,164)	(737)	(64,212)
Loss after taxation (but before minority interests)	(881,236)	(5,527,866)	(651,480)
Minority interests	15,012	20,608	(39,188)
Loss attributable to Shareholders	(866,224)	(5,507,258)	(690,668)
Dividend <i>(Note 2)</i>	–	–	5,145,088
Loss per Share (HK\$)	(0.91)	(5.78)	(0.73)

Notes:

1. Financial results for the year ended 30 June 2003 has been restated to reflect the adoption of Statement of Standard Accounting Practice 12 "Income Taxes" which become effective from the year ended 30 June 2003.
2. The special dividend by way of distribution in specie at the NWTMT Group level of approximately HK\$5,145 million represented the net assets of NWS and its subsidiaries shared by the NWTMT Group as at 29 January 2003, being the date of such distribution. As disclosed in the 2003 Annual Report of NWTMT, the distribution in specie represented a distribution of all the ordinary shares of NWS held by NWTMT (including consideration shares issued by NWS and the ordinary shares allotted by NWS upon conversion in full of the preference shares) (the "NWS Distribution Shares") to its shareholders in the ratio of 5.87 NWS Distribution Shares to one NWTMT share held on 9 January 2003.
3. There were no extraordinary or exceptional items for the past three financial years.

There were no qualifications in the audited consolidated financial statements of NWTMT for the year ended 30 June 2003. PricewaterhouseCoopers, the auditors of NWTMT, issued a qualified opinion on the audited consolidated financial statements for the year ended 30 June 2004 because of the fundamental uncertainty and limitation of audit scope relating to pending litigations and limitation of audit scope relating to other investments. The auditors of NWTMT also issued a qualified opinion on the audited consolidated financial statements for the year ended 30 June 2005 because of the fundamental uncertainty and limitation of audit scope relating to pending litigations. Full texts of the aforesaid qualified opinions are set out in the reports of the auditors inside the 2004 and 2005 annual reports of NWTMT respectively.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE NWTMT GROUP

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE NWTMT GROUP FOR THE YEAR ENDED 30 JUNE 2005

The following information has been extracted from the audited consolidated financial statements of the NWTMT Group for the year ended 30 June 2005, the page numbers in the statements below refer to the 2005 annual report of NWTMT. For the purpose of the extracts set out below, the “Company” means NWTMT and the “Group” means “NWTMT Group”.

Consolidated Profit and Loss Account

For the year ended 30 June 2005

	Note	2005 HK\$'000	2004 HK\$'000
Turnover	2(a)	353,774	368,847
Other revenue	2(a)	38,884	7,254
Other charges, net	3	(460,912)	(5,105,902)
Staff costs	4	(76,066)	(82,769)
Depreciation and amortization		(23,438)	(41,961)
Other operating expenses, net		(420,763)	(451,979)
Operating loss	5	(588,521)	(5,306,510)
Finance costs	6	(106,302)	(82,875)
Share of results of			
Associated companies		(107,373)	(123,875)
Jointly controlled entities		(74,876)	(13,869)
Loss before taxation		(877,072)	(5,527,129)
Taxation	7	(4,164)	(737)
Loss after taxation		(881,236)	(5,527,866)
Minority interests		15,012	20,608
Loss for the year	8	(866,224)	(5,507,258)
		HK\$	HK\$
Loss per share	10	(0.91)	(5.78)

APPENDIX I FINANCIAL INFORMATION RELATING TO THE NWTMT GROUP

Balance Sheets

As at 30 June 2005

	Note	Group		Company	
		2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Non-current assets					
Intangible assets	12	14,883	7,539	–	–
Fixed assets	13	66,110	74,410	2,651	2,397
Subsidiaries	14	–	–	(219,089)	(346,581)
Associated companies	15	191,252	263,190	66,300	84,177
Jointly controlled entities	16	72,600	64,536	–	–
Amount due from a fellow subsidiary	17	312,065	504,979	312,065	504,979
Loans receivable	18	193,125	317,823	193,125	317,823
Other investments	19	139,202	605,162	–	–
Deposits for purchase of fixed assets	20	–	–	–	–
Deposits for proposed investments	21	37,977	1,613,451	–	1,531,196
		1,027,214	3,451,090	355,052	2,093,991
Current assets					
Inventories and programmes	22	50,442	70,801	11,285	62,079
Debtors, deposits and prepayments	23	149,816	194,953	10,775	20,654
Deposits for proposed investments	21	1,531,196	–	1,531,196	–
Current portion of loans receivable	18	719,855	620,000	699,855	600,000
Amounts due from fellow subsidiaries	17	232,064	181,635	200,085	181,635
Pledged deposits	24	360,664	446,940	331,500	–
Bank balances and cash		155,589	202,292	13,700	91,892
		3,199,626	1,716,621	2,798,396	956,260

APPENDIX I FINANCIAL INFORMATION RELATING TO THE NWTMT GROUP

	Note	Group		Company	
		2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Current liabilities					
Creditors and accruals	25	229,481	176,613	104,367	62,504
Amounts due to minority shareholders		44,525	43,278	–	–
Short-term bank loans					
Secured		348,385	433,271	–	–
Unsecured		28,037	813,084	–	–
Current portion of bank and other borrowings	26	194,497	183,124	–	–
		844,925	1,649,370	104,367	62,504
<hr/>					
Net current assets		2,354,701	67,251	2,694,029	893,756
<hr/>					
Total assets less current liabilities		3,381,915	3,518,341	3,049,081	2,987,747
<hr/>					
Financed by					
Share capital	27	952,180	952,180	952,180	952,180
Reserves	28	(240,162)	629,119	(240,449)	628,742
<hr/>					
Shareholders' funds		712,018	1,581,299	711,731	1,580,922
Minority interests		10,853	14,005	–	–
<hr/>					
Non-current liabilities					
Bank and other borrowings	26	2,659,044	1,923,037	2,337,350	1,406,825
		3,381,915	3,518,341	3,049,081	2,987,747
<hr/>					

APPENDIX I FINANCIAL INFORMATION RELATING TO THE NWTMT GROUP

Consolidated Cash Flow Statement

For the year ended 30 June 2005

	Note	2005 HK\$'000	2004 HK\$'000
Cash flows from operating activities			
Net cash used in operations	31(a)	(183,523)	(49,477)
Interest received		40,208	24,996
Interest paid		(55,339)	(65,547)
PRC income tax paid		(4,164)	(906)
Net cash used in operating activities		(202,818)	(90,934)
Cash flows from investing activities			
Increase in investments in associated companies		–	(117,000)
Increase in amounts due from associated companies		(3,434)	(29,530)
Additions to fixed assets		(10,555)	(34,365)
Net change in amounts with jointly controlled entities		(1,784)	(22)
Increase in investments in jointly controlled entities		(82,808)	(73,904)
Increase in investments in non-trading securities		(46,921)	(379,239)
Investments in short-term deposits		–	(156)
Uplift of short-term deposits		–	7,800
Decrease/(increase) in deposits for proposed investment and deposits for purchase of fixed assets		15,420	(289,926)
Increase in loans receivable		–	(48,629)
Repayment of loans receivable		24,843	12,114
Proceeds from sales of fixed assets		732	27,119
Acquisition of additional interests in a subsidiary		(19,913)	–
Acquisition of subsidiaries	31(c)	–	11,856
Disposal of non-trading securities		–	41,059
Proceeds in relation to disposal of Wuhan bridges by NWS Holdings Limited (“NWSH”)		117,383	–
Net cash used in investing activities		(7,037)	(872,823)
Net cash outflow before financing		(209,855)	(963,757)

APPENDIX I FINANCIAL INFORMATION RELATING TO THE NWTMT GROUP

	Note	2005 HK\$'000	2004 HK\$'000
Cash flows from financing activities			
Drawdown of bank and other borrowings		930,525	893,826
Drawdown of short-term bank loans		1,039,252	1,474,391
Increase in pledged deposits		(551,428)	(241,800)
Uplift of pledged deposits		637,704	249,383
Reimbursement of bank loan repayment from a fellow subsidiary		181,635	103,546
Repayment of bank and other borrowings		(183,145)	(104,698)
Repayment of short-term bank loans		(1,909,185)	(1,327,103)
Capital contributions from minority shareholders		20,594	7,011
Net cash from financing activities	31(b)	165,952	1,054,556
(Decrease)/increase in cash and cash equivalents		(43,903)	90,799
Cash and cash equivalents at beginning of year		202,292	111,493
Effect of foreign exchange rate changes		(2,800)	–
Cash and cash equivalents at end of year		155,589	202,292
Analysis of cash and cash equivalents			
Bank balances and cash		155,589	202,292

APPENDIX I FINANCIAL INFORMATION RELATING TO THE NWTMT GROUP

Consolidated Statement of Changes in Equity*For the year ended 30 June 2005*

	Note	2005 HK\$'000	2004 HK\$'000
Equity as at 1 July		1,581,299	7,088,557
Exchange difference not recognized in the profit and loss account	28	(3,057)	–
Loss for the year	28	(866,224)	(5,507,258)
Equity as at 30 June		712,018	1,581,299

Notes to the Accounts**1 PRINCIPAL ACCOUNTING POLICIES**

In preparing these accounts, the Directors have taken into account the extension of existing unsecured revolving credit facility of HK\$2,700 million and additional unsecured revolving credit facilities of HK\$830 million granted by a fellow subsidiary and all other information that could reasonably be expected to be available and have ascertained that the Group and the Company have obtained adequate financial resources to support the Group and the Company to continue their operations for the foreseeable future. Under these circumstances, the Directors consider that it is appropriate to prepare the accounts on a going concern basis.

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The accounts are prepared under the historical cost convention as modified by the revaluation of non-trading securities.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") (collectively the "HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. In preparing these accounts, the Group has early adopted the following HKFRS and HKASs:

HKFRS 3	Business Combination
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets

The adoption of HKFRS 3, HKASs 36 and 38 has resulted in a change in the accounting policy for goodwill. Details of the change in the accounting policy are set out in note (f)(i) below.

The early adoption of the above standards has not resulted in any changes to the opening reserves as at 1 July 2004 and does not have any significant impact to the results for the year ended 30 June 2005.

The Group has not early adopted the other new HKFRSs in the accounts for the year ended 30 June 2005. The Group has already commenced an assessment of the impact of these other new HKFRSs but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

(b) Basis of consolidation

The consolidated accounts incorporate the accounts of the Company and all its subsidiaries made up to 30 June and include the Group's share of the results for the year and undistributed post-acquisition reserves of its associated companies and jointly controlled entities. The results of subsidiaries, associated companies and jointly controlled entities acquired or disposed of during the year are dealt with in the consolidated profit and loss account from the effective dates of acquisition or up to the effective dates of disposal respectively.

All material intra-group transactions and balances have been eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or reserve which was not previously charged or recognized in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend income.

(c) Subsidiaries

Subsidiaries are companies, including equity or co-operative joint ventures in the People's Republic of China (the "PRC"), in which the Group has the power to exercise control governing the financial and operating policies of the companies.

(d) Jointly controlled entities

A jointly controlled entity is a joint venture established as a corporation, partnership or other entity in which the venturers have their respective interests and they have established a contractual arrangement among them to define their joint control over the economic activity of the entity.

The Group's interests in jointly controlled entities include the Group's share of net assets and goodwill (net of any accumulated impairment loss) on acquisition. The share of post-acquisition results and reserves is based on the relevant profit sharing ratios which vary according to the nature of the jointly controlled entities explained as follows:

(i) Companies limited by shares

Companies limited by shares are limited liability companies in respect of which each shareholder's beneficial interests therein is in accordance with the amount of the equity share capital held thereby.

(ii) Co-operative joint ventures

Co-operative joint ventures are Sino-foreign joint ventures established in the PRC in respect of which the venturers' profit sharing ratios and share of net assets upon the expiration of the joint venture periods are not in proportion to their capital contribution ratios but are as defined in the joint venture contracts. Where the Group is not entitled to share the net assets of a cooperative joint venture at the end of the joint venture period, the cost of investment in such co-operative joint venture is amortized over the joint venture period.

(e) Associated companies

An associated company is a company other than a subsidiary or a jointly controlled entity, in which the Group's interest is held for the long-term and is substantial, and significant influence is exercised through representations on the board of directors. The Group's investments in associated companies include the Group's share of net assets and goodwill (net of any accumulated impairment loss) on acquisition.

(f) Intangible assets*(i) Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of net identifiable assets of the acquired subsidiaries, associated companies or jointly controlled entities at the date of acquisition.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associated companies and jointly controlled entities is included in investments in associated companies and jointly controlled entities. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

In prior years, goodwill arising from acquisitions on or after 1 July 2001 was amortized using the straight-line method over its estimated useful life of not more than 20 years. Goodwill was assessed for an indication of impairment at each balance sheet date.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE NWTMT GROUP

In accordance with HKFRS 3, the Group ceased amortization of goodwill from 1 July 2004. The accumulated amortization as at 30 June 2004 has been eliminated with a corresponding decrease in the cost of goodwill.

(ii) *Licenses and software*

Expenditure on acquired licenses and software is capitalized and amortized using the straight-line method over the shorter of their estimated useful lives and licence period, but not exceeding 20 years from the date when they are available for use. Licences and software are not revalued as there is no active market for these assets.

(iii) *Development costs*

Development costs incurred for design and testing of new or improved products, where technical feasibility has been demonstrated and there is an ability to sell or use the asset that will generate probable future economic benefits, are recognized as an asset and amortized on a straight-line basis over a period of not more than five years.

(g) Impairment of assets

Assets that have an indefinite useful life are not subject to amortization, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(h) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation of fixed assets is calculated to write off their costs less accumulated impairment losses over their estimated useful lives, using the straight-line method. The estimated useful lives are summarized as follows:

Leasehold land	Remaining lease terms
Buildings	11 to 60 years
Machinery and other equipment	5 to 10 years
Interactive television network system and equipment	7 to 10 years
Leasehold improvements	2 to 10 years
Furniture and fixtures	3 to 10 years
Motor vehicles	3 to 10 years

No depreciation is provided in respect of construction in progress.

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalized and depreciated over their expected useful lives to the Group.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognized in the profit and loss account.

(i) Other investments

Other investments are securities held by the Group for non-trading purposes. They are stated at their fair values at the balance sheet date. Fair value is estimated by the Directors with

reference to market price or, in case of unquoted investments, net asset value of the respective investment. Changes in fair value of individual securities are accounted for as movements in the investment revaluation reserve until the security is sold or is determined to be impaired. Upon disposal, the cumulative gain or loss is transferred from the investment revaluation reserve to the profit and loss account. Transfers from the investment revaluation reserve to the profit and loss account as a result of impairment are written back to the profit and loss account when the circumstances and events that led to the impairment cease to exist.

(j) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in-first-out method. Net realizable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.

(k) Programmes

Programmes are stated at cost less accumulated amortization and impairment losses. Cost comprises direct expenditure and appropriate proportion of production overheads. Programmes costs are amortized based on the ratio of the actual gross revenues of the current year to the estimated remaining total gross revenues from all sources on an individual production basis.

(l) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits with banks which are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes and bank overdrafts.

(m) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

(n) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognized as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. Contingent assets are not recognized but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognized.

(o) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associated companies and jointly controlled entities, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(p) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessors are accounted for as operating leases. Payments made under the operating leases net of any incentives received from the lessors are charged to the profit and loss account on the straight-line basis over the lease periods.

(q) Employee benefits

(i) Retirement benefit costs

The Group operates a defined contribution retirement scheme (the "ORSO Scheme") which is available to all the Company's employees in Hong Kong whose employment commenced before 1 October 2000. The assets of the ORSO Scheme are held separately in an independently administered fund. The Group's contributions to the ORSO Scheme are based on rates ranging from 5% to 15% of employees' salaries depending on length of service and are expensed as incurred. The Group's contributions in respect of employees who leave the ORSO Scheme are not forfeited to reduce the employer's contributions for the year.

A mandatory provident fund scheme (the "MPF Scheme") was established under the Hong Kong Mandatory Provident Fund Scheme Ordinance in December 2000. Commencing on 1 December 2000, newly-joined employees are compulsorily required to join the MPF Scheme. Employees under the ORSO Scheme were offered an option to elect between the ORSO Scheme and the MPF Scheme. The Group's contributions to the MPF Scheme are ranging from 5% to 15% of employees' salaries depending on length of service and are expensed as incurred.

The Group also contributes to employee pension schemes established by municipal government in respect of certain subsidiaries and joint ventures in the PRC. The municipal government undertakes to assume the retirement benefit obligations of all existing and retired employees of the Group. Contributions to these schemes are expensed as incurred.

(ii) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(r) Foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheets of subsidiaries, associated companies and jointly controlled entities expressed in foreign currencies are translated at rates of exchange ruling at the balance sheet date whilst the profit and loss accounts are translated at average rates. Exchange differences arising therefrom are dealt with as a movement in reserves.

(s) Borrowing costs

All borrowing costs are expensed in the profit and loss account in the year in which they are incurred.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE NWTMT GROUP

(t) Revenue recognition

Advertising income is recognized when the advertisements are telecast or commercials appear before the public.

Income from the distribution of television programmes is recognized when the Group's entitlement to such payments has been established which is upon the delivery of the master copy or materials to the customers.

Other service fee income including call centre, media or software related services is recognized when services are rendered.

Interest income is recognized on a time proportion basis that takes into account the principal outstanding and the effective interest rates applicable.

Dividend income is recognized when the right to receive payment is established.

2 TURNOVER, OTHER REVENUE AND SEGMENT INFORMATION

(a) Turnover and other revenue

	2005 HK\$'000	2004 HK\$'000
Turnover		
Advertising	317,984	333,622
Programme distribution	17,908	28,398
Other service fee	21,822	13,033
	357,714	375,053
Business tax	(3,940)	(6,206)
	353,774	368,847
Other revenue		
Bank and other interest	38,884	7,254
	392,658	376,101

The Group is principally engaged in telecommunications, media and technology ("TMT") businesses.

(b) Segment information

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

The Group focuses in TMT segment. No analysis of the Group's segment information by business segments is presented as all the Group's activities and operations are attributable to TMT segment.

In respect of geographical segment reporting, turnover, total assets and capital expenditure are where the assets are located. There are no sales or other transactions between the geographical segments. Segment assets consist primarily of fixed assets, receivables and operating cash. Capital expenditure comprises additions to fixed assets, intangible assets, including additions resulting from acquisitions through purchases of subsidiaries.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE NWTMT GROUP

An analysis of the Group's segment information by geographical segments is as follows:

	Revenues HK\$'000	Total assets HK\$'000	Capital expenditure HK\$'000
2005			
China mainland	342,789	2,076,671	8,426
Hong Kong	10,985	16,524	159
Overseas	–	46,922	–
	<u>353,774</u>	<u>2,140,117</u>	<u>8,585</u>
Associated companies		191,252	
Jointly controlled entities		72,600	
Unallocated assets		1,822,871	
Total assets		<u>4,226,840</u>	
2004			
China mainland	359,457	2,113,699	289,989
Hong Kong	9,390	65,027	43,504
Overseas	–	596,998	–
	<u>368,847</u>	<u>2,775,724</u>	<u>333,493</u>
Associated companies		263,190	
Jointly controlled entities		64,536	
Unallocated assets		2,064,261	
Total assets		<u>5,167,711</u>	

APPENDIX I FINANCIAL INFORMATION RELATING TO THE NWTMT GROUP

3 OTHER CHARGES, NET

	2005 HK\$'000	2004 HK\$'000
Impairment losses on:		
Intangible assets (note 12)	(4,138)	(401,232)
Fixed assets (note 13)	(1,314)	(663,663)
Other investments	(512,881)	(2,272,361)
Provision for:		
Amounts due from jointly controlled entities	(1,394)	(14,469)
Amounts due from associated companies	(4)	(113,040)
Other receivables	(77,071)	(29,246)
Deposits for proposed investments	(28,858)	(81,281)
Deposits for purchase of fixed assets (note 20)	–	(843,869)
Loans receivable	(6,542)	(99,806)
Loans to investee companies	–	(304,201)
Write-down of inventories to net realizable value	(12,955)	(291,406)
(Loss)/gain on disposal of:		
Fixed assets	(2,638)	58
Other investments	–	3,876
Gain in relation to disposal of Wuhan bridges by NWSH	154,878	–
Write-back of impairment loss on other investments	–	4,738
Write-back of provision for amounts due from associated companies	32,005	–
	(460,912)	(5,105,902)

Other charges for the year ended 30 June 2004 include charges of HK\$4,392 million comprising (i) impairment losses on intangible assets and fixed assets and write-down of inventories to net realizable value totaling HK\$1,310 million; and (ii) provisions for deposits for purchase of fixed assets and loans to investee companies and impairment losses on other investments totaling HK\$3,082 million, all of which are the subject of the NWTMT Complaint (note 29(a)).

4 STAFF COSTS

	2005 HK\$'000	2004 HK\$'000
Salaries, wages and allowances	71,935	78,956
Pension costs for defined contribution plans	4,131	3,813
	76,066	82,769

Staff costs are stated net of reimbursement from New World PCS Limited (“NWPCS”) and New World Telecommunications Limited (“NWT”) in respect of call centre management services provided to NWPCS and NWT.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE NWTMT GROUP

5 OPERATING LOSS

Operating loss is stated after charging the following:

	2005 HK\$'000	2004 HK\$'000
Amortization of:		
Intangible assets	1,274	903
Programmes	14,194	18,533
Auditors' remuneration		
Provision for the year	4,286	3,334
Underprovision in respect of prior year	1,300	–
Depreciation	7,970	22,525
Rental for leased premises	12,264	11,897

Depreciation is stated net of reimbursement from NWPCS and NWT in respect of call centre management services provided to NWPCS and NWT.

6 FINANCE COSTS

	2005 HK\$'000	2004 HK\$'000
Interest on bank loans		
Wholly repayable within five years	86,177	103,336
Not wholly repayable within five years	402	478
Interest on other borrowings		
Wholly repayable within five years	52,123	22,302
	138,702	126,116
Reimbursement from NWSH (note 17)	(32,400)	(43,241)
	106,302	82,875

7 TAXATION

	2005 HK\$'000	2004 HK\$'000
Company and subsidiaries		
PRC income tax	4,164	714
Deferred tax	–	23
	4,164	737

No Hong Kong profits tax has been provided for the year as the Group has no estimated assessable profit arising in or deriving from Hong Kong. PRC income tax has been provided on the estimated assessable profits for the year at the prevailing rate of taxation.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE NWTMT GROUP

The taxation on the Group's loss before taxation differs from the theoretical amount that would arise using the applicable income tax rate prevailing in the territory in which the Group's principal operating subsidiaries operate as follows:

	2005 HK\$'000	2004 HK\$'000
Loss before taxation	(877,072)	(5,527,129)
Calculated at a taxation rate of 17.5%	(153,488)	(967,247)
Effect of different taxation rates in other countries	(17,042)	(15,149)
Income not subject to taxation	(30,276)	(4,491)
Expenses not deductible for taxation purposes	197,989	983,681
Tax losses not recognized	3,667	–
Utilisation of previously unrecognized tax losses	(34)	(354)
Temporary differences not recognized	3,348	4,016
Other items	–	281
Taxation charge	4,164	737

8 LOSS FOR THE YEAR

Loss for the year includes a loss of HK\$869,191,000 (2004: HK\$5,537,024,000) which is dealt with in the accounts of the Company.

9 DIVIDEND

The Board of Directors does not recommend the payment of a dividend for the year ended 30 June 2005 (2004: Nil).

10 LOSS PER SHARE

The calculation of loss per share is based on the loss for the year of HK\$866,224,000 (2004: HK\$5,507,258,000) and 952,180,007 (2004: 952,180,007) shares in issue during the year.

Diluted loss per share is not presented as there is no dilutive potential share in issue.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE NWTMT GROUP

11 EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

Details of the emoluments paid to the Directors are as follows:

Name of Director	2005			Total HK\$'000
	Fees HK\$'000	Salaries and other emoluments HK\$'000	Contributions to retirement benefit scheme HK\$'000	
Executive Directors				
Dr Cheng Kar-Shun, Henry	150	3,600	–	3,750
Mr Wong Chi-Chiu, Albert	100	1,667	129	1,896
Dr Wai Fung-Man, Norman	100	–	–	100
Mr Chan Wing-Tak, Douglas	–	1,754	–	1,754
Non-executive Directors				
Mr Fu Sze-Shing	100	–	–	100
Mr Wilfried Ernst Kaffenberger	100	–	–	100
Mr Yeung Kun-Wah, David (alternate Director to Mr Wilfried Ernst Kaffenberger)	–	–	–	–
Mr Lee Sean, Sammy	100	–	–	100
Mr Lai Hing-Chiu, Dominic (note)	100	–	–	100
Independent Non-executive Directors				
Dr Lam Man-Kit, Dominic	150	–	–	150
The Honourable Shek Lai-Him, Abraham	150	–	–	150
Mr Kong Chi-How, Johnson	150	–	–	150
Total	1,200	7,021	129	8,350

APPENDIX I FINANCIAL INFORMATION RELATING TO THE NWTMT GROUP

Name of Director	2004			Total HK\$'000
	Fees HK\$'000	Salaries and other emoluments HK\$'000	Contributions to retirement benefit scheme HK\$'000	
Executive Directors				
Dr Cheng Kar-Shun, Henry	50	3,600	–	3,650
Mr Wong Chi-Chiu, Albert	50	–	–	50
Dr Wai Fung-Man, Norman	50	–	–	50
Mr Chan Wing-Tak, Douglas	–	3,078	462	3,540
Non-executive Directors				
Mr Fu Sze-Shing	100	–	–	100
Mr Wilfried Ernst Kaffenberger	100	–	–	100
Mr Yeung Kun-Wah, David (alternate Director to Mr Wilfried Ernst Kaffenberger)	–	–	–	–
Mr Lee Sean, Sammy	100	–	–	100
Independent Non-executive Directors				
Dr Lam Man-Kit, Dominic	100	–	–	100
The Honourable Shek Lai-Him, Abraham	–	–	–	–
Mr Kong Chi-How, Johnson	–	–	–	–
Mr Lai Hing-Chiu, Dominic (note)	100	–	–	100
Total	650	6,678	462	7,790

Note: Mr Lai Hing-Chiu, Dominic was re-designated as Non-executive Director on 28 September 2004.

The emoluments have been included as part of the staff costs in note 4 to the accounts.

The five individuals whose emoluments were the highest in the Group for the year include 3 (2004: 2) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 2 (2004: 3) individuals during the year are as follows:

	2005 HK\$'000	2004 HK\$'000
Salaries and other emoluments	3,000	5,138
Contributions to retirement benefit scheme	183	328
	3,183	5,466

The emoluments fell within the following bands:

Emolument band HK\$	Number of individuals	
	2005	2004
1,000,000 – 1,500,000	1	1
1,500,001 – 2,000,000	1	1
2,000,001 – 2,500,000	–	1
	2	3

APPENDIX I FINANCIAL INFORMATION RELATING TO THE NWTMT GROUP

12 INTANGIBLE ASSETS

Group

	Goodwill	Development costs	Licenses	Software	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2003					
Cost	–	–	327,600	73,632	401,232
Accumulated amortization and impairment losses	–	–	–	–	–
Net book amount	–	–	327,600	73,632	401,232
Year ended 30 June 2004					
Opening net book amount	–	–	327,600	73,632	401,232
Acquisition of subsidiaries	2,636	5,806	–	–	8,442
Amortization	(509)	(394)	–	–	(903)
Impairment losses	–	–	(327,600)	(73,632)	(401,232)
Closing net book amount	2,127	5,412	–	–	7,539
At 30 June 2004					
Cost	2,127	5,847	327,600	73,632	409,206
Accumulated amortization and impairment losses	–	(435)	(327,600)	(73,632)	(401,667)
Net book amount	2,127	5,412	–	–	7,539
Year ended 30 June 2005					
Opening net book amount	2,127	5,412	–	–	7,539
Additions	12,756	–	–	–	12,756
Amortization	–	(1,274)	–	–	(1,274)
Impairment losses	–	(4,138)	–	–	(4,138)
Closing net book amount	14,883	–	–	–	14,883
At 30 June 2005					
Cost	14,883	5,847	327,600	73,632	421,962
Accumulated amortization and impairment losses	–	(5,847)	(327,600)	(73,632)	(407,079)
Net book amount	14,883	–	–	–	14,883

APPENDIX I FINANCIAL INFORMATION RELATING TO THE NWTMT GROUP

Company

	Licenses HK\$'000	Software HK\$'000	Total HK\$'000
At 1 July 2003			
Cost	327,600	73,632	401,232
Accumulated amortization and impairment losses	–	–	–
Net book amount	327,600	73,632	401,232
Year ended 30 June 2004			
Opening net book amount	327,600	73,632	401,232
Impairment losses	(327,600)	(73,632)	(401,232)
Closing net book amount	–	–	–
At 30 June 2004 and 2005			
Cost	327,600	73,632	401,232
Accumulated amortization and impairment losses	(327,600)	(73,632)	(401,232)
Net book amount	–	–	–

Licenses and software were purchased from PrediWave Corporation (“PrediWave”) and are relating to billing system for PrediWave’s interactive television, video-on-demand and other digital broadcasting and related Technology, which are the subject of the NWTMT Complaint (note 29(a)). As a result of the NWTMT Complaint, the Directors decided to discontinue the use of the Technology in launching the interactive television services in the PRC, and accordingly, a full impairment charge of HK\$401,232,000 (note 3) was made against these assets during the year ended 30 June 2004.

Impairment test for goodwill

Goodwill is allocated to a Group’s cash-generating unit in the PRC. The recoverable amount of the business unit is determined based on value-in-use calculations. The key assumptions used in the value-in-use calculations are based on management’s best estimates of growth rates and discount rates.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE NWTMT GROUP

13 FIXED ASSETS

Group

	Land and buildings HK\$'000	Construction in progress HK\$'000	Machinery and other equipment HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Interactive television network system and equipment HK\$'000	Total HK\$'000
Cost								
At 1 July 2004	38,958	8,575	86,252	9,029	28,981	10,492	619,224	801,511
Additions	–	553	3,086	2,537	2,628	1,751	–	10,555
Disposals	–	(275)	(447)	(292)	(3,808)	(2,894)	–	(7,716)
At 30 June 2005	38,958	8,853	88,891	11,274	27,801	9,349	619,224	804,350
Accumulated depreciation and impairment losses								
At 1 July 2004	5,534	7,539	71,998	4,338	12,863	5,605	619,224	727,101
Charge for the year	1,226	–	4,525	2,298	4,675	1,447	–	14,171
Impairment losses	–	1,314	–	–	–	–	–	1,314
Disposals	–	–	(350)	(75)	(1,761)	(2,160)	–	(4,346)
At 30 June 2005	6,760	8,853	76,173	6,561	15,777	4,892	619,224	738,240
Net book value								
At 30 June 2005	32,198	–	12,718	4,713	12,024	4,457	–	66,110
At 30 June 2004	33,424	1,036	14,254	4,691	16,118	4,887	–	74,410

APPENDIX I FINANCIAL INFORMATION RELATING TO THE NWTMT GROUP

Company

	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Interactive television network system and equipment HK\$'000	Total HK\$'000
Cost					
At 1 July 2004	988	4,283	2,751	775,031	783,053
Additions	1,358	278	306	–	1,942
Disposals	(292)	(475)	(1,287)	–	(2,054)
At 30 June 2005	2,054	4,086	1,770	775,031	782,941
Accumulated depreciation and impairment losses					
At 1 July 2004	427	3,132	2,066	775,031	780,656
Charge for the year	296	709	414	–	1,419
Disposals	(75)	(423)	(1,287)	–	(1,785)
At 30 June 2005	648	3,418	1,193	775,031	780,290
Net book value					
At 30 June 2005	1,406	668	577	–	2,651
At 30 June 2004	561	1,151	685	–	2,397

- (a) The Group's land and buildings, all held in the PRC, at their net book values are analyzed as follows:

	2005 HK\$'000	2004 HK\$'000
Short-term lease	3,666	4,140
Medium-term lease	13,737	14,206
Long-term lease	14,795	15,078
	32,198	33,424

- (b) Interactive television network system and equipment were purchased from PrediWave, and are the subject of the NWTMT Complaint (note 29(a)). As a result of the NWTMT Complaint, the Directors decided to discontinue the use of the Technology launching the interactive television services in the PRC, and accordingly, a full impairment charge was made against these assets during the year ended 30 June 2004.

- (c) The net book value of fixed assets pledged as security for the Group's long-term bank loans amounted to HK\$21,035,000 (2004: HK\$21,526,000).

APPENDIX I FINANCIAL INFORMATION RELATING TO THE NWTMT GROUP

14 SUBSIDIARIES

	Company	
	2005 HK\$'000	2004 HK\$'000
Unlisted shares, at cost less provision	1,135,905	1,135,905
Amounts receivable, net of provision	580,630	760,594
	1,716,535	1,896,499
Amounts payable	(1,935,624)	(2,243,080)
	(219,089)	(346,581)

Particulars of the Company's subsidiaries, which, in the opinion of the Directors, principally affect the results of the Group for the year and/or assets of the Group as at 30 June 2005, are given in note 37.

15 ASSOCIATED COMPANIES

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Group's share of net assets	124,952	232,325	–	–
Amounts receivable, net of provision (note a)	66,300	30,865	66,300	84,177
	191,252	263,190	66,300	84,177

- (a) The amounts receivable were unsecured, had no fixed terms of repayment and carried interest at the London Inter Bank Offered Rate except for an amount of HK\$5,460,000 (2004: Nil) which was interest free.
- (b) Particulars of the associated company, which, in the opinion of the Directors, principally affect the results of the Group for the year and/or assets of the Group as at 30 June 2005, are given in note 38.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE NWTMT GROUP

16 JOINTLY CONTROLLED ENTITIES

	Group	
	2005 HK\$'000	2004 HK\$'000
Companies limited by shares		
Share of net assets	72,189	85,168
Goodwill on acquisition	63,585	63,585
Accumulated amortization and impairment losses	(63,585)	(4,239)
Amount receivable (note a)	411	22
Amount payable (note b)	–	(80,000)
	72,600	64,536
Co-operative joint ventures		
Cost of investments	61,694	58,886
Share of undistributed post-acquisition results	(61,694)	(58,886)
Amounts receivable, net of provision	–	–
	–	–
	72,600	64,536

- (a) Amount receivable was unsecured, interest free and had no fixed terms of repayment.
- (b) Amount payable was unsecured, interest free and was fully repaid during the year.
- (c) Particulars of the jointly controlled entity, which, in the opinion of the Directors, principally affect the results of the Group for the year and/or assets of the Group as at 30 June 2005, are given in note 39.
- (d) The share of results of jointly controlled entities for the year ended 30 June 2005 includes an impairment of goodwill of HK\$59,346,000 (2004: an amortization of goodwill of HK\$4,239,000).

17 AMOUNTS DUE FROM FELLOW SUBSIDIARIES

The amounts receivable include HK\$505 million (2004: HK\$687 million) due from NWSH in respect of the principal and interest outstanding from the Group under a bank loan, the repayments of which are undertaken by NWSH from time to time as they fall due.

The remaining receivable is unsecured, interest free and repayable within twelve months from the balance sheet date.

18 LOANS RECEIVABLE

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Loans receivable	912,980	937,823	892,980	917,823
Current portion included in current assets	(719,855)	(620,000)	(699,855)	(600,000)
	193,125	317,823	193,125	317,823

APPENDIX I FINANCIAL INFORMATION RELATING TO THE NWTMT GROUP

Loans receivable include a loan of HK\$600 million (2004: HK\$600 million) due from a third party which is unsecured and bears interest at 3% per annum. The loan, together with the refund of deposits from the withdrawal of the proposed investment in the Network (note 21), is fully repayable by 30 November 2005.

19 OTHER INVESTMENTS

	Group	
	2005 HK\$'000	2004 HK\$'000
Non-trading securities		
Unlisted shares, at fair value (notes a and b)	139,202	605,162
Loans to investee companies (note c)	304,201	304,201
Provision for loans (note c)	(304,201)	(304,201)
	139,202	605,162

- (a) The unlisted non-trading securities include the equity investments in PrediWave and certain former associated companies of the Group (collectively the "PrediWave Companies"), which are the subject of the NWTMT Complaint (note 29(a)). Since the Directors were of the opinion that the Group was no longer able to effectively exercise significant influence over the financial and operating decisions of these companies, they were reclassified from associated companies to other investments during the year ended 30 June 2004. A full impairment provision of HK\$1,933,894,000 was made against these assets during the year ended 30 June 2004.
- (b) Unlisted non-trading securities also include an unlisted investment in Intellambda Systems Inc. ("Intellambda"), a company engaged in developing optical transport and switching platforms and providing the optical networking solutions for carriers planning on building or upgrading their metro and regional infrastructures. In assessing the carrying value of the investment in Intellambda, the Directors have taken into account the latest financial information of Intellambda, advice received from industry expert, future funding requirements of Intellambda and expected returns from launching its products. Based on the above, a full provision of approximately HK\$377 million was made against this investment during the year ended 30 June 2005.
- (c) A full provision was made against the loans to the PrediWave Companies which are the subject of the NWTMT Complaint (note 29(a)) during the year ended 30 June 2004.

20 DEPOSITS FOR PURCHASE OF FIXED ASSETS

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Deposits	843,869	843,869	843,869	843,869
Provision	(843,869)	(843,869)	(843,869)	(843,869)
	-	-	-	-

The Group made deposits to PrediWave for purchase of interactive television network system and equipment which is the subject of the NWTMT Complaint (note 29(a)). A full provision of HK\$843,869,000 (note 3) was made against these deposits during the year ended 30 June 2004.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE NWTMT GROUP

21 DEPOSITS FOR PROPOSED INVESTMENTS

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Cost less provision				
Deposits for the Network	1,531,196	1,531,196	1,531,196	1,531,196
Others	37,977	82,255	–	–
	1,569,173	1,613,451	1,531,196	1,531,196
Current portion included in current assets	(1,531,196)	–	(1,531,196)	–
	37,977	1,613,451	–	1,531,196

In 2002, the Group entered into an option agreement (the “Option Agreement”) with a PRC entity for the acquisition (the “Acquisition”) of an interest in a fibre optic backbone network (the “Network”) in the PRC. Subject to certain conditions as stipulated in the Option Agreement, the Group was entitled to acquire up to 70% interest in the Network within two years from the date of the Option Agreement at a consideration of approximately HK\$2,563 million.

The Group had paid approximately HK\$1,531 million (2004: HK\$1,531 million) as deposits for the Network. On 23 June 2004, the Group requested to withdraw from the Acquisition and the counterparties agreed on 3 September 2004 that these deposits for the Network, loans and other amounts owing to the Group totaling HK\$2,160 million together with interest would be fully repaid to the Group by 30 November 2004. As of 30 June 2005, these amounts remained outstanding and unpaid. Pursuant to the agreement on extension of repayment entered into between the Company and the counterparties, the counterparties agreed to (i) repay the deposits paid for the Network, loans and other amounts owing to the Group totaling HK\$2,160 million together with interest by 30 November 2005; (ii) pledge the 70% interest in the Network as a security to secure their repayment; and (iii) allow the Group to retain its option to re-enter the project if the repayment was not made in accordance with the agreement.

Having considered the legal advice from the Group’s legal counsel, valuation of the Network performed by an independent professional valuer, the security obtained and the option available to the Group to re-enter the project, the Directors are of the view that the deposits paid for the Network, loans and other amounts owing to the Group are fully recoverable.

22 INVENTORIES AND PROGRAMMES

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Raw materials (note)	11,456	62,079	11,285	62,079
Programmes, at cost less amortization	38,986	8,722	–	–
	50,442	70,801	11,285	62,079

The carrying amount of inventories that were carried at net realizable value amounted to HK\$11,285,000 (2004: HK\$62,079,000). These inventories, representing parts for production of interactive television equipment, are the subject of the NWTMT Complaint (note 29(a)).

APPENDIX I FINANCIAL INFORMATION RELATING TO THE NWTMT GROUP

23 DEBTORS, DEPOSITS AND PREPAYMENTS

- (a) Debtors, deposits and prepayments include trade receivables due by its customers. The Group allows its trade customers a credit period normally ranging from 30 days to 180 days. The ageing analysis of the trade receivables is as follows:

	2005 HK\$'000	2004 HK\$'000
Current to 30 days	33,494	12,532
31 to 90 days	15,776	13,415
91 to 180 days	10,937	11,113
Over 180 days	25,994	24,735
	86,201	61,795

- (b) Debtors, deposits and prepayments also include an amount of HK\$2,804,000 (2004: Nil) due from a related company of which one of its directors is also a Director of the Company. The amount is unsecured, interest free and has no fixed terms of repayment.

24 PLEDGED DEPOSITS

Deposits have been pledged to banks as security for short-term loans granted to subsidiaries.

25 CREDITORS AND ACCRUALS

Creditors and accruals include trade payables and the ageing analysis of which is as follows:

	2005 HK\$'000	2004 HK\$'000
Current to 30 days	26,949	8,342
31 to 90 days	5,363	4,811
91 to 180 days	9,228	4,486
Over 180 days	10,945	9,524
	52,485	27,163

26 BANK AND OTHER BORROWINGS

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Loan from a fellow subsidiary (note a)	2,337,350	1,406,825	2,337,350	1,406,825
Secured bank loans (note b)	516,191	699,336	–	–
	2,853,541	2,106,161	2,337,350	1,406,825
Current portion included in current liabilities	(194,497)	(183,124)	–	–
	2,659,044	1,923,037	2,337,350	1,406,825

APPENDIX I FINANCIAL INFORMATION RELATING TO THE NWTMT GROUP

- (a) Loan from a fellow subsidiary is unsecured and bears interest at prevailing market rate. On 22 September 2005, the fellow subsidiary agreed to extend the revolving credit facility to the Company of HK\$3,530 million (included the outstanding loan balance and accrued interest payable totalling HK\$2,408 million as at 30 June 2005) to 21 March 2007 (note 1). Accordingly, the loan from a fellow subsidiary is classified as a non-current liability.
- (b) Secured bank loans are repayable as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
Within one year	194,497	183,124
Between one and two years	206,568	194,491
Between two and five years	112,754	317,346
After five years	2,372	4,375
	516,191	699,336

NWSH has undertaken to repay the principal and interest outstanding from the Group under certain bank loan of approximately HK\$505 million (2004: HK\$687 million) at 30 June 2005, from time to time as they fall due. The loan is secured by NWSH's interests in certain joint ventures in the PRC.

27 SHARE CAPITAL

	2005 HK\$'000	2004 HK\$'000
Authorized:		
2,000,000,000 ordinary shares of HK\$1 each	2,000,000	2,000,000
Issued and fully paid:		
952,180,007 ordinary shares of HK\$1 each	952,180	952,180

Pursuant to the share option schemes adopted on 3 October 1997 (the "1997 Scheme") and 6 December 2001 (the "2001 Scheme"), the Company may grant options to directors and employees of the Company. No option had been granted under the 2001 Scheme since its adoption. The movements in the number of share options under the 1997 Scheme during the year and outstanding at 30 June 2005 are as follows:

Exercise price per share HK\$	At 1 July 2004	Lapsed during the year	At 30 June 2005
10.20 (a)	240,000	(240,000)	–
12.00 (b)	960,000	(960,000)	–
	1,200,000	(1,200,000)	–

- (a) Exercisable from 1 July 2000 to 1 June 2005.
- (b) 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.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE NWTMT GROUP

28 RESERVES

Group

	Contributed surplus HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Investment revaluation reserve HK\$'000	Retained profit/ (accumulated losses) HK\$'000	Total HK\$'000
At 1 July 2003	2,650,991	660,047	–	–	2,825,339	6,136,377
Loss for the year	–	–	–	–	(5,507,258)	(5,507,258)
Net deficit on revaluation of non-trading securities	–	–	–	(2,267,623)	–	(2,267,623)
Impairment losses charged to profit and loss account (note 3)	–	–	–	2,272,361	–	2,272,361
Write-back of impairment loss transferred to profit and loss account (note 3)	–	–	–	(4,738)	–	(4,738)
At 30 June 2004	2,650,991	660,047	–	–	(2,681,919)	629,119
Company and subsidiaries	2,650,991	660,047	–	–	(2,482,628)	828,410
Jointly controlled entities	–	–	–	–	(68,337)	(68,337)
Associated companies	–	–	–	–	(130,954)	(130,954)
	2,650,991	660,047	–	–	(2,681,919)	629,119

APPENDIX I FINANCIAL INFORMATION RELATING TO THE NWTMT GROUP

Group

	Contributed surplus HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Capital reserve HK\$'000	Investment revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 July 2004	2,650,991	660,047	–	–	–	(2,681,919)	629,119
Foreign exchange adjustment	–	–	(2,800)	–	–	–	(2,800)
Share of reserve of a jointly controlled entity	–	–	(257)	–	–	–	(257)
Loss for the year	–	–	–	–	–	(866,224)	(866,224)
Transfer to capital reserve	–	–	–	1,476	–	(1,476)	–
Net deficit on revaluation of non- trading securities	–	–	–	–	(512,881)	–	(512,881)
Impairment losses charged to profit and loss account (note 3)	–	–	–	–	512,881	–	512,881
At 30 June 2005	2,650,991	660,047	(3,057)	1,476	–	(3,549,619)	(240,162)
Company and subsidiaries	2,650,991	660,047	(2,800)	1,476	–	(3,168,079)	141,635
Jointly controlled entities	–	–	(257)	–	–	(143,213)	(143,470)
Associated companies	–	–	–	–	–	(238,327)	(238,327)
	2,650,991	660,047	(3,057)	1,476	–	(3,549,619)	(240,162)

Company

	Contributed surplus HK\$'000	Share premium HK\$'000	Investment revaluation reserve HK\$'000	Retained profit/ (accumulated losses) HK\$'000	Total HK\$'000
At 1 July 2003	3,269,219	660,047	–	2,236,500	6,165,766
Loss for the year	–	–	–	(5,537,024)	(5,537,024)
Surplus on revaluation of non-trading securities	–	–	1,922	–	1,922
Write-back of impairment loss transferred to profit and loss account	–	–	(1,922)	–	(1,922)
At 30 June 2004	3,269,219	660,047	–	(3,300,524)	628,742
Loss for the year	–	–	–	(869,191)	(869,191)
At 30 June 2005	3,269,219	660,047	–	(4,169,715)	(240,449)

The contributed surplus of the Company arose in 1995 when the Company issued shares in exchange for the shares of companies being acquired, and represents the difference between the nominal value of the Company's shares issued and the value of net assets of the companies acquired.

29 PENDING LITIGATIONS

- (a) In May 2004, the Group filed complaints to the Superior Court of the State of California for the County of Santa Clara in the United States of America (“US”) (“NWTMT Complaint”) against the PrediWave Companies and Mr Tony Qu, the president and founder of the PrediWave Companies. Under the NWTMT Complaint, the Company alleged that, in reliance of the representations given by Mr Tony Qu and PrediWave, the Company entered into various agreements with the PrediWave Companies under which the Group invested in the PrediWave Companies and placed various purchase orders for goods and services relating to the technology (the “Technology”) of video-on-demand and other digital broadcasting and related technology and added value services. The Group had paid approximately HK\$5 billion to the PrediWave Companies for investments in and loans to the PrediWave Companies, and purchases of goods and services from PrediWave. The Company complained of various breaches in relation to goods and services relating to the Technology, by Mr Tony Qu and the PrediWave Companies relating to the parties’ agreements. Accordingly, the Group claimed damages for an amount to be determined at trial together with interest, rescission of all agreements, restitution of all monies obtained from the Group, punitive and exemplary damages, costs of legal proceedings and other declaratory relief and equitable relief. The total monetary amount sought by the Company in the lawsuit exceeds US\$700 million (approximately HK\$5,460 million).

The Directors have been advised by their external legal counsel that the NWTMT Complaint will not be concluded in a short period of time and the outcome of the NWTMT Complaint is uncertain.

As the Directors of the Company consider that they cannot effectively monitor the utilization of funds by the PrediWave Companies, they expect that the utilization of funds for legal costs and other causes beyond their control will be significant throughout the period up to the date when the NWTMT Complaint is concluded. In addition, in the absence of the availability of meaningful and updated financial information on the PrediWave Companies and given the uncertainty of the timing and the outcome of the litigation which would have a consequential significant effect on the amount of assets recoverable, the Directors have concluded that a full provision of HK\$3,082 million made in the accounts for the year ended 30 June 2004 against the Group’s investments in the PrediWave Companies, loans to the PrediWave Companies and deposits paid to PrediWave remains most appropriate for the purpose of the accounts for the year ended 30 June 2005.

- (b) In May 2004, PrediWave filed complaints to the Superior Court of the State of California for the County of Los Angeles in the US against the Company (collectively the “PrediWave Complaint”). In January 2005, PrediWave dropped the PrediWave Complaint and filed a counter claim against the Company to the Superior Court of the State of California for the County of Santa Clara (the “PrediWave Cross-Complaint”). Under the PrediWave Cross-Complaint, PrediWave alleged that the Group had failed to make full payments under four purchase orders and one agreement for goods and services delivered or licenses granted by PrediWave to the Group relating to the Technology totalling approximately US\$72 million (approximately HK\$564 million). As a result, PrediWave claimed damages against the Company in an amount to be proved at trial, together with interest and costs of legal proceedings, restitution of the reasonable value of goods delivered to the Company and a declaration that PrediWave should be entitled to retain the deposits made by the Company under various purchase orders and agreements.

The Directors are of the view that the Company has proper and valid defences to the PrediWave Cross-Complaint, and accordingly, no provision for commitment and/or loss has been accounted for in the accounts.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE NWTMT GROUP

30 COMMITMENTS

- (a) The capital commitments, principally for further investment in existing projects, are as follows:

	2005	2004
	HK\$'000	HK\$'000
Contracted but not provided for	10,353	118,118

The above capital commitments did not include commitments for purchase of fixed assets and intangible assets which are the subject of the PrediWave Complaint (note 29(b)).

- (b) The Group has future aggregate minimum lease payments under operating leases in respect of land and buildings as follows:

	2005	2004
	HK\$'000	HK\$'000
Not later than one year	6,083	4,689
Later than one year but not later than five years	3,421	1,828
Later than five years	–	33
	9,504	6,550

APPENDIX I FINANCIAL INFORMATION RELATING TO THE NWTMT GROUP

31 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating loss to net cash used in operations

	2005 HK\$'000	2004 HK\$'000
Operating loss	(588,521)	(5,306,510)
Depreciation	14,171	22,525
Amortization of intangible assets	1,274	903
Amortization of cost of programmes	14,194	18,533
Gain on disposal of other investments	–	(3,876)
Impairment losses on other investments	512,881	2,272,361
Impairment losses on intangible assets	4,138	401,232
Impairment losses on fixed assets	1,314	663,663
Provision for loans to investee companies	–	304,201
Provision for deposits for proposed investments	28,858	81,281
Provision for amount due from a jointly controlled entity	1,394	14,469
Provision for amounts due from associated companies	4	113,040
Write-back of amount due from associated companies	(32,005)	–
Write-down of inventories to net realizable value	12,955	291,406
Loss/(gain) on disposal of fixed assets	2,638	(58)
Write-back of impairment loss on other investments	–	(4,738)
Gain in relation to disposal of Wuhan bridges by NWSH	(154,878)	–
Provision for deposits for purchase of fixed assets	–	843,869
Provision for loans receivable	6,542	99,806
Provision for other receivables	77,071	29,246
Interest income	(38,884)	(7,254)
Operating loss before working capital changes	(136,854)	(165,901)
(Increase)/decrease in debtors, deposits and prepayments	(39,795)	11,774
Increase in amounts due from fellow subsidiaries	(31,979)	–
Increase in creditors and accruals	31,904	67,623
(Decrease)/increase in amounts due to minority shareholders	(8)	12,884
(Increase)/decrease in inventories	(6,791)	24,143
Net cash used in operations	(183,523)	(49,477)

APPENDIX I FINANCIAL INFORMATION RELATING TO THE NWTMT GROUP

(b) Analysis of changes in financing

	Share capital including share premium HK\$'000	Pledged deposits HK\$'000	Short-term bank loans and bank and other borrowings HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 July 2003	1,612,227	(362,483)	2,411,842	–	3,661,586
Net cash from financing activities	–	7,583	1,039,962	7,011	1,054,556
Reclassified from unpledged deposit	–	(92,040)	–	–	(92,040)
Loan repayment in respect of the loan undertaken by NWSH	–	–	(103,546)	–	(103,546)
Minority interests' share of loss	–	–	–	(20,608)	(20,608)
Acquisition of subsidiaries	–	–	4,258	27,602	31,860
At 30 June 2004	1,612,227	(446,940)	3,352,516	14,005	4,531,808
Net cash from financing activities	–	86,276	59,082	20,594	165,952
Minority interests' share of loss	–	–	–	(15,012)	(15,012)
Loan repayment in respect of the loan undertaken by NWSH	–	–	(181,635)	–	(181,635)
Acquisition of additional interest in a subsidiary	–	–	–	(8,734)	(8,734)
At 30 June 2005	1,612,227	(360,664)	3,229,963	10,853	4,492,379

APPENDIX I FINANCIAL INFORMATION RELATING TO THE NWTMT GROUP

(c) Acquisition of subsidiaries

	2005 HK\$'000	2004 HK\$'000
Net assets acquired		
Fixed assets	–	13,617
Bank balances and cash	–	13,402
Debtors, deposits and prepayments	–	74,370
Intangible assets	–	5,806
Creditors and accruals	–	(49,153)
Taxation	–	(169)
Bank and other borrowings	–	(4,258)
Minority interests	–	(27,602)
	–	26,013
Goodwill on acquisition	–	2,636
Consideration	–	28,649
Satisfied by:		
Deposits for proposed investments	–	27,103
Cash	–	1,546
	–	28,649
Cash consideration	–	(1,546)
Bank balances and cash acquired	–	13,402
Net cash from acquisition of subsidiaries	–	11,856

32 RELATED PARTY TRANSACTIONS

In addition to those transactions with related parties disclosed elsewhere in the accounts, the following significant related party transactions were entered into by the Group during the year:

	2005 HK\$'000	2004 HK\$'000
Purchases from an associated company (note a)	–	365,558
Rental expense for leased premises reimbursed from an associated company (note b)	(957)	(1,200)
Interest expense to:		
A fellow subsidiary (note c)	52,019	20,955
A related company (note d)	–	1,139
Consultancy fee expense to a fellow subsidiary (note e)	2,186	1,414
Rental expense for leased premises to a fellow subsidiary (note f)	496	–
Call centre management services income from fellow subsidiaries (note g)	(2,324)	(1,417)

(a) This represented purchases of interactive television network system and equipment which were developed by PrediWave at prices mutually agreed by both parties. As at 30 June 2004, the Group paid approximately HK\$843,869,000 as trade deposit to PrediWave (note 20).

(b) This represented the reimbursement of rental from an associated company. The reimbursement was based on the actual office space occupied by the associated company.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE NWTMT GROUP

- (c) Interest was charged at prevailing market rate.
- (d) This represented interest on temporary advances from a related company which was charged at a rate mutually agreed between both parties.
- (e) This represented consultancy fee paid in respect of consultancy services provided by NWT. The consultancy fee was charged based on the number and level of expertise of the NWT personnel deployed to provide the consultancy services and not exceeding HK\$800,000 per month.
- (f) The rental was charged at fixed monthly amounts as specified in the tenancy agreement.
- (g) This represented call centre management services income received from NWPCS and NWT. The call centre management services income was charged based on the number of workstation used.

33 SUBSEQUENT EVENT

On 4 October 2005, the Group entered into an equity transfer agreement with Golden Strength Inc. in connection with the transfer of the entire equity interest in Dalian Shang Li De Heat Conduction Technology Co., Limited by Golden Strength Inc. to the Group in exchange for the Company's rights, title and interests in the loan in an aggregate amount of US\$8.5 million due from Sunnet International Corporation. Upon completion of the transfer, the Company becomes the indirect sole owner of Dalian Shang Li De Heat Conduction Technology Co., Limited.

34 COMPARATIVE FIGURES

Certain comparative figures are reclassified or extended to conform with the current year's presentation.

35 ULTIMATE HOLDING COMPANY

The Directors of the Company consider New World Development Company Limited, incorporated and listed in Hong Kong, as being the ultimate holding company.

36 APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 6 October 2005.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE NWTMT GROUP

37 PRINCIPAL SUBSIDIARIES

	Share capital issued Number	Par value per share	Percentage of equity shares held by the Company	the Group	Principal activities
<i>Incorporated in the British Virgin Islands and operating in Hong Kong</i>					
Lotsgain Limited	100 ordinary	US\$1	100	–	Investment holding
<i>Incorporated in the British Virgin Islands and operating in the PRC</i>					
General Wireless Technologies Inc.	10 ordinary	US\$1	–	100	Exploration of wireless telecommunication network
<i>Incorporated and operating in Hong Kong</i>					
New World Allmedia Services Limited	2 ordinary	HK\$1	–	100	Development of multimedia business

APPENDIX I FINANCIAL INFORMATION RELATING TO THE NWTMT GROUP

	Paid-up registered capital	Attributable interest to the Company	the Group	Principal activities
<i>Incorporated and operating in the PRC</i>				
New World Infrastructure (China) Investment Limited	US\$130,000,000	100	–	Investment holding
深圳新世界翔龍網絡技術 有限公司	Rmb550,000,000	–	100	Exploration of wireless telecommunication network
深圳新世界翔龍科技發展 有限公司	Rmb100,000,000	–	100	Exploration of wireless telecommunication network
深圳市翔龍通訊有限公司	Rmb100,000,000	–	100	Provision of telecommunication related services
北京信通傳之媒文化發展 有限公司	Rmb100,000,000	–	70.1	Provision of advertising agency services, business consultancy services, production and distribution of TV programs
北京新世界威邁特高新技術 有限公司	US\$1,800,000	–	55	Provision of ATM multimedia advertising system
北京新世界熱能高科技發展 有限公司	US\$700,000	–	65	Development of heat transfer devices

APPENDIX I FINANCIAL INFORMATION RELATING TO THE NWTMT GROUP

38 PRINCIPAL ASSOCIATED COMPANY

	Share capital issued		Percentage of equity share held by		Principal activities
	Number	Par value per share	the Company	the Group	
<i>Incorporated in the British Virgin Islands and operating in Hong Kong</i>					
New QU Energy Limited	65,000,000	–	–	–	Development of heat transfer devices
	Common	–	–	100	
	35,000,000 Series A Preferred	–	–		

39 PRINCIPAL JOINTLY CONTROLLED ENTITY

	Share capital issued		Percentage of equity share held by		Principal activities
	Number	Par value per share	the Company	the Group	
<i>Incorporated in Hong Kong and operating in the PRC</i>					
China Aerospace New World Technology Limited	30,000,000	HK\$1	–	50	Investment holding
	Ordinary				

APPENDIX I FINANCIAL INFORMATION RELATING TO THE NWTMT GROUP

3. SHARE CAPITAL

The authorised and issued share capital of NWTMT as at the Latest Practicable Date were as follows:

	Number of Shares	Nominal value HK\$
Authorised	<u>2,000,000,000</u>	<u>2,000,000,000</u>
Issued and fully paid	<u>952,180,007</u>	<u>952,180,007</u>

There was no movement in the share capital of NWTMT for the period from 30 June 2005 up to the Latest Practicable Date.

Each of the Shares ranks pari passu in all respects, including dividends, voting and capital.

Apart from the Shares, NWTMT does not have any warrants, options, derivatives, convertible securities or other securities in issue. None of the unissued share or loan capital of NWTMT is subject to any warrants, options, derivatives or conversion rights and it has not been agreed, conditionally or unconditionally, to put any of the unissued share or loan capital of NWTMT under any warrants, options, derivatives or conversion rights.

4. INDEBTEDNESS

At the close of business on 31 October 2005, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this document, the NWTMT Group had outstanding borrowings of approximately HK\$3,138 million comprising unsecured bank borrowings of approximately HK\$19 million, secured bank borrowings of approximately HK\$520 million, other secured borrowing of approximately HK\$4 million, other unsecured borrowing due to a fellow subsidiary of approximately HK\$2,550 million and other unsecured borrowings due to minority shareholders of certain subsidiaries of approximately HK\$45 million.

As at the close of business on 31 October 2005, save as disclosed in this section headed "Indebtedness" and the material contingent liabilities set out under Section 5 headed "Material Litigation" in Appendix II to this document, the NWTMT Group did not have any outstanding mortgages, charges, debentures, loan capital or other similar indebtedness, or hire-purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities.

The directors of NWTMT have confirmed that there has been no material changes in NWTMT's indebtedness and contingent liabilities positions since 31 October 2005.

5. MATERIAL CHANGES

There has been no material changes in the financial or trading position or outlook of the NWTMT Group since 30 June 2005, the date to which the latest published audited consolidated financial statements of the NWTMT Group were made up.

1. RESPONSIBILITY STATEMENT

The information in this document relating to the NWTMT Group has been supplied by the directors of NWTMT. The issue of this document has been approved by the directors of NWTMT, who jointly and severally accept full responsibility for the accuracy of the information contained in this document (other than that relating to the NWD Group (except the NWTMT Group)) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this document (other than that relating to the NWD Group (except the NWTMT Group)) have been arrived at after due and careful consideration and there are no other facts not contained in this document, the omission of which would make any statement in this document (other than that relating to the NWD Group (except the NWTMT Group)) misleading.

The information in this document relating to the NWD Group has been supplied by the directors of NWD. The issue of this document has been approved by the directors of NWD, who jointly and severally accept full responsibility for the accuracy of the information contained in this document (other than that relating to the NWTMT Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this document (other than that relating to the NWTMT Group) have been arrived at after due and careful consideration and there are no other facts not contained in this document, the omission of which would make any statement in this document (other than that relating to the NWTMT Group) misleading.

2. MARKET PRICES

The Shares are traded on the Stock Exchange. The table below shows the respective closing prices of the Shares on the Stock Exchange (i) on the last trading day of each of the six calendar months preceding the Announcement Date, (ii) on 1 November 2005, being the last full trading day prior to the suspension of trading in the Shares pending the issue of the Announcement, and (iii) on the Latest Practicable Date.

Date	Price per Share <i>HK\$</i>
31 May 2005	0.460
30 June 2005	0.485
29 July 2005	0.485
31 August 2005	0.450
30 September 2005	0.465
31 October 2005	0.410
1 November 2005	0.420
Latest Practicable Date	0.720

Source: the Stock Exchange

The lowest and highest closing prices per Share recorded on the Stock Exchange during the period from 3 May 2005, being the date six months prior to the Announcement Date, to the Latest Practicable Date were respectively HK\$0.410 on 26 and 31 October 2005 and HK\$0.730 on 2 December 2005.

3. DISCLOSURE OF INTERESTS

For the purpose of this Section, the “Offer Period” means the period from the Announcement Date to the Latest Practicable Date, both dates inclusive, the “Disclosure Period” means the period beginning from the six months prior to the commencement of the Offer Period and ending with the Latest Practicable Date, both dates inclusive, and “interested” and “interests” have the meanings respectively ascribed thereto in Part XV of the SFO. “NWD Shareholdings” means the NWD Shares and any other equity share capital of NWD, securities of NWD which carry substantially the same rights as the NWD Shares, and convertible securities, warrants, options and derivatives in respect of any of them and “NWTMT Shareholdings” means the Shares and any other securities of NWTMT which carry voting rights, and convertible securities, warrants, options and derivatives in respect of any of them.

(a) Interests and dealings in the Shares

- (i) As at the Latest Practicable Date, NWD, through its indirect wholly-owned subsidiary, was interested in 516,561,485 Shares, representing approximately 54.25% of the issued share capital of NWTMT.

Save as disclosed above, NWD and the Controlling Party did not have any NWTMT Shareholdings and had not dealt for value in any NWTMT Shareholdings during the Disclosure Period.

- (ii) As at the Latest Practicable Date, the following directors of NWD had the following interests in the Shares:

Director	Note	Number of Shares held and nature of interest			Total number and percentage of issued share capital of NWTMT held	
		Personal interests	Family interests	Corporate interests	Total	%
Dr. Cheng Kar-Shun, Henry	1	–	1,000,000	–	1,000,000	0.11
Dr. Sin Wai-Kin, David	2	5,594	53	–	5,647	0.00
Mr. Liang Chong-Hou, David	3	262	–	–	262	0.00

Notes:–

- The 1,000,000 Shares were owned by Brighton Management, which was wholly-owned by the spouse of Dr. Cheng Kar-Shun, Henry.
- Of these Shares, Dr. Sin Wai-Kin, David was the beneficial owner of 5,594 Shares, and the remaining 53 Shares were owned by his spouse.
- Mr. Liang Chong-Hou, David was the beneficial owner of these Shares.

Dr. Cheng Kar-Shun, Henry was also a director of NWTMT. As disclosed above, as at the Latest Practicable Date, 1,000,000 Shares were owned by Brighton Management, which was wholly-owned by the spouse of Dr. Cheng Kar-Shun, Henry. Apart from Dr. Cheng Kar-Shun, Henry's family interest in the Shares, no other director of NWTMT is interested in the share capital of NWTMT. Given that Brighton Management is presumed to be a party acting in concert under the Takeovers Code with NWD, the 1,000,000 Shares will not be represented or voted at the Court Meeting to approve the Scheme, and no director of NWTMT will be voting at the Court Meeting.

Save as disclosed above, none of the directors of NWD or the directors of NWTMT had any interest in the NWTMT Shareholdings as at the Latest Practicable Date and none of the directors of NWD or the directors of NWTMT had dealt for value in any NWTMT Shareholdings during the Disclosure Period.

- (iii) As at the Latest Practicable Date, the Excluded Parties had the following interests in the Shares:

Excluded parties	Note	Number of Shares held and nature of interest			Total number and percentage of issued share capital of NWTMT held	
		Personal interests	Family interests	Corporate interests	Total	%
FCIL	4	–	–	3,357,600	3,357,600	0.35
Brighton Management	5	–	–	1,000,000	1,000,000	0.11
Dr. Sin Wai-Kin, David	6	5,594	53	–	5,647	0.00
Madam Sin Lau Po-Lan	6	53	–	–	53	0.00
Mr. Liang Chong-Hou, David	7	262	–	–	262	0.00
Standard Chartered	8	–	–	13	13	0.00

Notes:–

- FCIL was a wholly-owned subsidiary of NWS, which in turn was a non wholly-owned subsidiary of NWD and therefore was presumed to be a party acting in concert with NWD under the Takeovers Code.
- Brighton Management was wholly-owned by Mrs. Cheng and therefore was presumed to be a party acting in concert with NWD under the Takeovers Code.
- Dr. Sin Wai-Kin, David was an executive director of NWD and Madam Sin Lau Po-Lan was his spouse and therefore they were presumed to be parties acting in concert with NWD under the Takeovers Code. Dr. Sin Wai-Kin, David was taken to be interested in the 53 Shares owned by his spouse, Madam Sin Lau Po-Lan, by virtue of the SFO.
- Mr. Liang Chong-Hou, David was an executive director of NWD and therefore was presumed to be a party acting in concert with NWD under the Takeovers Code.
- Standard Chartered was the financial adviser to NWD and therefore was presumed to be a party acting in concert with NWD under the Takeovers Code.

Save as disclosed above, none of Standard Chartered (being a financial adviser to NWD) or any of its group companies owned or controlled any NWTMT Shareholdings as at the Latest Practicable Date or had dealt for value in the NWTMT Shareholdings during the Disclosure Period.

Save as disclosed above, none of the Excluded Parties owned or controlled any NWTMT Shareholdings as at the Latest Practicable Date or had dealt for value in the NWTMT Shareholdings during the Disclosure Period.

- (iv) As at the Latest Practicable Date, none of Commerzbank or any of its group companies owned or controlled any NWTMT Shareholdings or had dealt for value in the NWTMT Shareholdings during the Disclosure Period.
- (v) As at the Latest Practicable Date, none of Access Capital or any of its group companies owned or controlled any NWTMT Shareholdings or had dealt for value in the NWTMT Shareholdings during the Disclosure Period.
- (vi) As at the Latest Practicable Date, no subsidiary of NWTMT, pension fund of NWTMT or of any subsidiary of NWTMT, or any advisers to NWTMT as specified in class (2) of the definition of “associate” in the Takeovers Code, but excluding exempt principal traders, owned or controlled any NWTMT Shareholdings or had dealt for value in any NWTMT Shareholdings during the Disclosure Period.
- (vii) As at the Latest Practicable Date, no person had irrevocably committed to accept or reject the Scheme.
- (viii) As at the Latest Practicable Date, no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code existed between NWD or any person acting in concert with NWD, and any other person.
- (ix) As at the Latest Practicable Date, no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between NWTMT or any person who is an associate of NWTMT by virtue of classes (1), (2), (3) or (4) of the definition of “associate” under the Takeovers Code, and any other person.
- (x) As at the Latest Practicable Date, no interest in NWTMT Shareholdings was managed on a discretionary basis by fund managers (other than exempt fund managers) connected with NWTMT.

(b) Interests and dealings in NWD Shares

As at the Latest Practicable Date, the following director of NWTMT had the following interests in the NWD Shares:

Director	Note	Number of NWD Shares held and nature of interest			Total number and percentage of issued share capital of NWD held	
		Personal Interests	Family Interests	Corporate Interests	Total	%
		Dr. Cheng Kar-Shun, Henry	1	–	300,000	–

Note:–

- The 300,000 NWD Shares were owned by Brighton Management, which was wholly-owned by the spouse of Dr. Cheng Kar-Shun, Henry.

Set out below are the dealings in the NWD Shares by Brighton Management during the Disclosure Period:

Date	Number of NWD Shares	Price per NWD Share
17 November 2005	300,000	HK\$9.60

Save as disclosed above, none of the directors of NWTMT nor NWTMT had any interest in any NWD Shareholdings as at the Latest Practicable Date and none of the directors of NWTMT nor NWTMT had dealt for value in any NWD Shareholdings during the Disclosure Period.

(c) Other interests

- No benefit is or will be given to any director of NWTMT as compensation for loss of office or otherwise in connection with the Scheme.
- No agreement, arrangement or understanding (including any compensation arrangement) exists between NWD or any person acting in concert with NWD and any of the directors or recent directors of NWTMT, Shareholders or recent Shareholders having any connection with or dependence upon the Scheme.
- No agreement or arrangement to which NWD is party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition to the Proposal.
- No agreement or arrangement exists between any director of NWTMT and any other person which is conditional on or dependent upon the outcome of the Scheme or otherwise connected with the Scheme.

- (v) No material contract has been entered into by NWTMT in which any director of NWTMT has a material personal interest.
- (vi) As at the Latest Practicable Date, none of the directors of NWTMT has a service contract in force with NWTMT or any of its subsidiaries or associated companies which have been entered into or amended within six months before the Announcement Date or which are continuous contracts with a notice period of 12 months or more or which are fixed term contracts with more than 12 months to run irrespective of the notice period.

4. MATERIAL CONTRACT

Neither NWTMT nor any of its subsidiaries has entered into any material contracts, which are or may be material other than in the ordinary course of business carried on or intended to be carried on by the NWTMT Group, after the date two years preceding the Announcement Date.

5. MATERIAL LITIGATION

In May 2004, the NWTMT Group filed complaints to the Superior Court of the State of California for the County of Santa Clara in the United States of America (“US”) (“NWTMT Complaint”) against the PrediWave Companies and Mr. Tony Qu, the president and founder of the PrediWave Companies. Under the NWTMT Complaint, NWTMT alleged that, in reliance of the representations given by Mr. Tony Qu and PrediWave, NWTMT entered into various agreements with the PrediWave Companies under which the NWTMT Group invested in the PrediWave Companies and placed various purchase orders for goods and services relating to the technology (the “Technology”) of video-on-demand and other digital broadcasting and related technology and added value services. The NWTMT Group had paid approximately HK\$5 billion to the PrediWave Companies for investments in and loans to the PrediWave Companies, and purchases of goods and services from PrediWave. NWTMT complained of various breaches in relation to goods and services relating to the Technology, by Mr. Tony Qu and the PrediWave Companies relating to the parties’ agreements. Accordingly, the NWTMT Group claimed damages for an amount to be determined at trial together with interest, rescission of all agreements, restitution of all monies obtained from the NWTMT Group, punitive and exemplary damages, costs of legal proceedings and other declaratory relief and equitable relief. The total monetary amount sought by NWTMT in the lawsuit exceeds US\$700 million (approximately HK\$5,460 million).

The directors of NWTMT have been advised by their external legal counsel that the NWTMT Complaint will not be concluded in a short period of time and the outcome of the NWTMT Complaint is uncertain.

As the directors of NWTMT consider that they cannot effectively monitor the utilization of funds by the PrediWave Companies, they expect that the utilization of funds for legal costs and other causes beyond their control will be significant throughout

the period up to the date when the NWTMT Complaint is concluded. In addition, in the absence of the availability of meaningful and updated financial information on the PrediWave Companies and given the uncertainty of the timing and the outcome of the litigation which would have a consequential significant effect on the amount of assets recoverable, the directors of NWTMT have concluded that a full provision of HK\$3,082 million made in the accounts for the year ended 30 June 2004 against the NWTMT Group's investments in the PrediWave Companies, loans to the PrediWave Companies and deposits paid to PrediWave remains most appropriate for the purpose of the accounts for the year ended 30 June 2005.

In May 2004, PrediWave filed complaints to the Superior Court of the State of California for the County of Los Angeles in the US against NWTMT (collectively the "PrediWave Complaint"). In January 2005, PrediWave dropped the PrediWave Complaint and filed a counter claim against NWTMT to the Superior Court of the State of California for the County of Santa Clara (the "PrediWave Cross-Complaint"). Under the PrediWave Cross-Complaint, PrediWave alleged that the NWTMT Group had failed to make full payments under four purchase orders and one agreement for goods and services delivered or licenses granted by PrediWave to the NWTMT Group relating to the Technology totalling approximately US\$72 million (approximately HK\$564 million). As a result, PrediWave claimed damages against NWTMT in an amount to be proved at trial, together with interest and costs of legal proceedings, restitution of the reasonable value of goods delivered to NWTMT and a declaration that PrediWave should be entitled to retain the deposits made by NWTMT under various purchase orders and agreements.

The directors of NWTMT are of the view that NWTMT has proper and valid defences to the PrediWave Cross-Complaint, and accordingly, no provision for commitment and/or loss has been accounted for in the accounts.

Save as disclosed above, there was no material litigation or claim of material importance pending or threatened against any member of the NWTMT Group.

6. MISCELLANEOUS

- (a) The beneficial interests in the Shares of the parties presumed to be acting in concert with NWD are set out in the section headed “Shareholding Structure” on pages 13 to 14 of this document. Those parties which are principal members of the group acting in concert with NWD and which are companies are Mombasa Limited (which is an indirect wholly-owned subsidiary of NWD), FCIL and Brighton Management. Their addresses and the names of their directors are as follows:

Name	Address	Directors
NWD	30th Floor, New World Tower, 18 Queen’s Road Central, Hong Kong	Dato’ Dr. Cheng Yu-Tung, Dr. Cheng Kar-Shun, Henry, Dr. Sin Wai-Kin, David, Mr. Liang Chong-Hou, David, Mr. Leung Chi-Kin, Stewart, Mr. Cheng Yue-Pui, Mr. Cheng Kar-Shing, Peter, Mr. Chow Kwai-Cheung, Mr. Ho Hau-Hay, Hamilton, Mr. Liang Cheung-Biu, Thomas, Lord Sandberg, Michael, Mr. Yeung Ping-Leung, Howard, Dr. Cha Mou-Sing, Payson, Mr. Cha Mou-Zing, Victor (as alternate to Dr. Cha Mou-Sing, Payson) and Mr. Lee Luen-Wai, John
Mombasa Limited	30th Floor, New World Tower, 18 Queen’s Road Central, Hong Kong	Dr. Cheng Kar-Shun, Henry and Mr. Cheng Yue-Pui
FCIL	28th Floor, New World Tower, 18 Queen’s Road Central, Hong Kong	Mr. Chan Kam Ling, Mr. Wong Kwok-Kin, Andrew, Mr. Lam Wai-Hon, Patrick and Mr. Cheng Kam-Chiu, Stewart
Brighton Management	33rd Floor, New World Tower, 18 Queen’s Road Central, Hong Kong	Madam Ip Mei-Hing, Katherine

The parent company of Mombasa Limited and FCIL is NWD and NWS respectively. As at the Latest Practicable Date, Brighton Management was wholly-owned by Mrs. Cheng and NWS was owned by NWD as to approximately 53.6%, which in turn was approximately 35.52% owned by Chow Tai Fook Enterprises Limited (a company controlled by Dato' Dr. Cheng Yu-Tung, a director of NWD and his extended family) and its subsidiaries. The directors of Chow Tai Fook Enterprises Limited are Dato' Dr. Cheng Yu-Tung, Dr. Cheng Kar-Shun, Henry, Mr. Cheng Yue-Pui, Mr. Cheng Yu-Wai, Mr. Ho Pak-To, Mr. Cheng Kam-Biu, Wilson, Mr. Wong Kwok-Ting, Mr. Cheng Kar-Shing, Mr. Cheng Sek-Hung and Mr. Wong Siu-Kee.

The individuals presumed to be parties acting in concert with NWD and their respective addresses are as follows:

Name	Address
Dr. Sin Wai-Kin, David	26 Black's Link, Deep Water Bay, Hong Kong
Madam Sin Lau Po-Lan	26 Black's Link, Deep Water Bay, Hong Kong
Mr. Liang Chong-Hou, David	Bay Villas, 61 Shouson Hill Road, Hong Kong

- (b) The registered office of NWTMT is situated at Ugland House, South Church Street, P.O. Box 309, George Town, Grand Cayman, Cayman Islands, British West Indies. The head office and principal place of business of NWTMT in Hong Kong is situated at 2008, 20th Floor, New World Tower 1, 18 Queen's Road Central, Hong Kong.
- (c) The registered office of Standard Chartered is 32/F., 4-4A Des Voeux Road Central, Hong Kong.
- (d) All costs, charges and expenses of and incidental to the Scheme and the costs of carrying the Scheme into effect will be borne by NWD.
- (e) The English text of this document and the forms of proxy shall prevail over the Chinese text.
- (f) All announcements in relation to the Proposal will be published as a paid announcement in at least one leading English language newspaper and one leading Chinese language newspaper, being in each case a newspaper which is published daily and circulating generally in Hong Kong.

7. EXPERTS

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

Name	Qualifications
Standard Chartered	Standard Chartered Bank (Hong Kong) Limited, the financial adviser to NWD. Standard Chartered is registered as a registered institution with the SFC to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as set out in Schedule 5 to the SFO and is a licensed bank under the Banking Ordinance
Commerzbank	Commerzbank AG, acting through its Hong Kong branch, a licensed bank under the Banking Ordinance and an authorised financial institution under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as set out in Schedule 5 to the SFO
Access Capital	Access Capital Limited, a licensed corporation for type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as set out in Schedule 5 to the SFO

8. CONSENTS

Standard Chartered, Commerzbank and Access Capital have given and have not withdrawn their respective written consents to the issue of this document with the inclusion therein of their opinions or letters, as the case may be, and the references to their names, opinions or letters in the form and context in which they respectively appear. PricewaterhouseCoopers has also given its written consent to the references to its name in the form and context in which they appear in this document.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the offices of the solicitors for NWTMT, Woo, Kwan, Lee & Lo at 27th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours on any weekday (public holidays excepted) until the Effective Date or the date on which the Scheme lapses or is withdrawn, whichever is earlier:

- (a) the memorandum of association and articles of association of NWD;
- (b) the memorandum of association and articles of association of NWTMT;
- (c) the audited consolidated financial statements of the NWD Group for each of the two financial years ended 30 June 2004 and 2005;
- (d) the audited consolidated financial statements of the NWTMT Group for each of the two financial years ended 30 June 2004 and 2005;
- (e) the letter from the Independent Board Committee, the text of which is set out on page 22 of this document;
- (f) the letter from Commerzbank and Access Capital to the Independent Board Committee, the text of which is set out on pages 23 to 61 of this document; and
- (g) the letters of consent referred to in Section 8 of this Appendix.

SCHEME OF ARRANGEMENT

IN THE GRAND COURT OF THE CAYMAN ISLANDS
CAUSE NO: 526 OF 2005

IN THE MATTER OF
NEW WORLD TMT LIMITED
AND IN THE MATTER OF
SECTION 86 OF THE COMPANIES LAW, CAP. 22 (LAW 3 OF 1961)
AS CONSOLIDATED AND REVISED OF THE CAYMAN ISLANDS

SCHEME OF ARRANGEMENT
between
NEW WORLD TMT LIMITED
and
THE HOLDERS OF SCHEME SHARES
(as hereinafter defined)

PRELIMINARY

(A) In this Scheme of Arrangement, unless inconsistent with the subject or context, the following expressions shall have the meanings respectively set opposite them:

“Brighton Management”	Brighton Management Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly-owned by Mrs. Cheng
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961), as consolidated and revised of the Cayman Islands
“Controlling Party”	Mombasa Limited, a company incorporated in the British Virgin Islands with limited liability, an indirect wholly-owned subsidiary of NWD, which was the legal and/or beneficial owner of 516,561,485 Shares, representing approximately 54.25% of the issued share capital of NWTMT as at the Latest Practicable Date
“Court”	the Grand Court of the Cayman Islands
“Effective Date”	the date on which this Scheme becomes effective in accordance with Clause 6 of this Scheme

SCHEME OF ARRANGEMENT

“Excluded Parties”	parties acting in concert with NWD which as at the Latest Practicable Date included FCIL, Brighton Management, Dr. Sin Wai-Kin, David, Madam Sin Lau Po-Lan, Mr. Liang Chong-Hou, David and Standard Chartered, who together were the legal and/or beneficial owners of an aggregate of 4,363,522 Shares, representing approximately 0.46% of the issued share capital of NWTMT as at the Latest Practicable Date
“FCIL”	Financial Concepts Investment Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly-owned subsidiary of NWS Holdings Limited
“holder(s)”	a registered holder and includes a person entitled by transmission to be registered as such and joint holders
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	13 December 2005, being the latest practicable date prior to printing of the document sent to, inter alia, holders of Shares dated 16 December 2005 in which this Scheme is contained
“Mrs. Cheng”	Madam Ip Mei-Hing, Katherine, the spouse of Dr. Cheng Kar-Shun, Henry, managing director of NWD and Chairman of NWTMT
“NWD”	New World Development Company Limited, a company incorporated in Hong Kong with limited liability
“NWTMT”	New World TMT Limited, a company incorporated in the Cayman Islands with limited liability
“Record Time”	5:00 p.m. Hong Kong time on Monday, 20 February 2006 for determining entitlements under this Scheme
“Register”	the register of members of NWTMT
“Scheme”	this scheme of arrangement under Section 86 of the Companies Law in its present form or with or subject to any modification thereof or addition thereto or condition(s) which the Court may approve or impose

SCHEME OF ARRANGEMENT

“Scheme Share(s)”	the Shares in issue as at the Record Time other than those legally and/or beneficially owned by the Controlling Party
“Share(s)”	ordinary shares of HK\$1.00 each in the capital of NWTMT
“Standard Chartered”	Standard Chartered Bank (Hong Kong) Limited
“Takeovers Code”	The Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars

- (B) NWTMT was incorporated as an exempted company on 1 September 1995 in the Cayman Islands under the Companies Law.
- (C) The authorised share capital of NWTMT as at the Latest Practicable Date was HK\$2,000,000,000 divided into 2,000,000,000 Shares of which 952,180,007 Shares have been issued and were fully paid and the remainder are unissued.
- (D) The primary purpose of this Scheme is that all of the Scheme Shares should be cancelled and extinguished and that NWTMT should become an indirect wholly-owned subsidiary of NWD.
- (E) On the Latest Practicable Date, 516,561,485 Shares were legally and/or beneficially owned by the Controlling Party and registered as follows:

Name of Controlling Party	Name of registered holders	Number of Shares
Mombasa Limited	Mombasa Limited	500,199,285
	HKSCC Nominees Limited	16,362,200

The Controlling Party has undertaken that in relation to such Shares in which it is beneficially interested, such Shares will remain so registered and beneficially interested until the date on which this Scheme becomes effective, is withdrawn or lapses.

SCHEME OF ARRANGEMENT

(F) On the Latest Practicable Date, an aggregate of 4,363,522 Shares were legally and/or beneficially owned by the Excluded Parties and registered as follows:

Name of Excluded Parties	Name of registered holders	Number of Shares
FCIL	HKSCC Nominees Limited	3,357,600
Brighton Management	HKSCC Nominees Limited	1,000,000
Sin Wai-Kin, David	Sin Wai-Kin, David	2,039
	Hang Seng (Nominee) Ltd.	1,206
	HKSCC Nominees Limited	2,349
Sin Lau Po-Lan	Sin Lau Po-Lan	53
Liang Chong-Hou, David	HSBC Nominees (Hong Kong) Limited	262
Standard Chartered	HKSCC Nominees Limited	13

Each of the Excluded Parties, being presumed to be acting in concert with NWD under the Takeovers Code, has undertaken that in relation to such Shares in which each of them is legally and/or beneficially interested, all such Shares will remain so registered and beneficially interested until the date on which this Scheme becomes effective, is withdrawn or lapses and will procure that such Shares will not be represented or voted at the meeting convened by direction of the Court for the purpose of considering and, if thought fit, approving this Scheme.

(G) NWD and the Controlling Party and each of the Excluded Parties have agreed to appear by Counsel at the hearing of the petition to sanction this Scheme and to undertake to the Court to be bound thereby and will execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed or done by each of them for the purpose of giving effect to this Scheme.

SCHEME OF ARRANGEMENT

THE SCHEME

PART I

Cancellation of the Scheme Shares

1. On the Effective Date:
 - (a) the issued share capital of NWTMT shall be reduced by cancelling and extinguishing the Scheme Shares;
 - (b) subject to and forthwith upon such reduction of capital taking effect, the share capital of NWTMT will be increased to its former amount of HK\$952,180,007 by the issue of the same number of Shares as is equal to the Scheme Shares cancelled; and
 - (c) NWTMT shall apply the credit arising in its books of account as a result of the capital reduction referred to in sub-clause 1(a) above in paying up in full at par the 435,618,522 new Shares issued as aforesaid, credited as fully paid, to the Controlling Party or as NWD may direct.

PART II

Consideration for cancellation of the Scheme Shares

2. In consideration of the cancellation and extinguishment of the Scheme Shares, NWD shall pay or cause to be paid to each holder of Scheme Shares (as appearing in the Register at the Record Time) HK\$0.75 for each Scheme Share held.

PART III

General

3. (a) Not later than ten days after the Effective Date, NWD shall send or cause to be sent to the holders of Scheme Shares (as appearing in the Register at the Record Time), cheques in respect of the sums payable to such holders pursuant to Clause 2 of this Scheme.
- (b) Unless indicated otherwise in writing to the branch share registrar of NWTMT in Hong Kong, Standard Registrars Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, all such cheques shall be sent by post in pre-paid envelopes addressed to such holders at their respective addresses as appearing on the Register at the Record Time or, in the case of joint holders, at the address as appearing on the Register at the Record Time of the joint holder whose name then stands

SCHEME OF ARRANGEMENT

first in the Register in respect of the relevant joint holding. With effect from 3 January 2006, NWTMT's branch share registrar in Hong Kong, Standard Registrars Limited, will be relocated to 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

- (c) Cheques shall be posted at the risk of the addressees and neither NWD nor NWTMT shall be responsible for any loss or delay in transmission.
- (d) Each such cheque shall be payable to the order of the person to whom, in accordance with the provisions of paragraph (b) of this Clause 3, the envelope containing the same is addressed and the encashment of any such cheques shall be a good discharge to NWD for the monies represented thereby.
- (e) On or after the day being six calendar months after the posting of the cheques pursuant to paragraph (b) of this Clause 3, NWD shall have the right to cancel or countermand payment of any such cheque which has not been encashed or has been returned uncashed and shall place all monies represented thereby in a deposit account in NWTMT's name with a licensed bank in Hong Kong selected by NWTMT. NWTMT shall hold such monies on trust for those entitled under the terms of this Scheme until the expiration of six years from the Effective Date and shall prior to such date make payments thereout of the sums payable pursuant to Clause 2 of this Scheme to persons who satisfy NWTMT that they are respectively entitled thereto and the cheques referred to in paragraph (b) of this Clause 3 of which they are payees have not been cashed. Any payments made by NWTMT hereunder shall be subject, if applicable, to the deduction of any interest or withholding tax or any other deduction required by law. NWTMT shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled and a certificate of NWTMT to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.
- (f) On the expiration of six years from the Effective Date, NWD shall be released from any further obligation to make any payments under this Scheme and NWTMT shall transfer to NWD the balance (if any) of the sums standing to the credit of the deposit account referred to in paragraph (e) of this Clause 3 subject, if applicable, to the deduction of interest or any withholding tax or other tax or any other deductions required by law and subject to the deduction of any expenses.
- (g) Paragraph (f) of this Clause 3 shall take effect subject to any prohibition or condition imposed by law.

SCHEME OF ARRANGEMENT

4. Each instrument of transfer and certificate existing at the Record Time in respect of a holding of any number of Scheme Shares shall on the Effective Date cease to be valid for any purpose as an instrument of transfer or a certificate for such Scheme Shares and every holder of such certificate shall be bound at the request of NWTMT to deliver up the same to NWTMT for the cancellation thereof.
5. All mandates or relevant instructions to NWTMT in force at the Record Time relating to any of the Scheme Shares shall cease to be valid as effective mandates or instructions.
6. Subject to Clause 1, this Scheme shall become effective as soon as a copy of the Order of the Court sanctioning this Scheme under Section 86 of the Companies Law shall have been duly registered by the Registrar of Companies in the Cayman Islands.
7. Unless this Scheme shall have become effective on or before 31 May 2006 or such later date, if any, as NWD and NWTMT may agree or as the Court on application of NWD or NWTMT may allow, this Scheme shall lapse.
8. NWTMT and NWD may jointly consent for and on behalf of all concerned to any modification of or addition to this Scheme or to any condition which the Court may think fit to approve or impose.
9. All costs, charges and expenses of and incidental to this Scheme and the costs of carrying this Scheme into effect will be borne by NWD.

Dated 16 December 2005

NOTICE OF COURT MEETING

**IN THE GRAND COURT OF THE CAYMAN ISLANDS
CAUSE NO. 526 OF 2005**

**IN THE MATTER OF
NEW WORLD TMT LIMITED
and
IN THE MATTER OF
SECTION 86 OF THE COMPANIES LAW, CAP. 22 (LAW 3 OF 1961)
AS CONSOLIDATED AND REVISED OF THE CAYMAN ISLANDS**

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that, by an order dated 13 December 2005 (the “Order”) made in the above matter, the Court has directed a meeting (the “Meeting”) to be convened of the holders of ordinary shares of HK\$1.00 each in the capital of New World TMT Limited (the “Company”) other than those of such shares legally and/or beneficially owned by the Controlling Party (as defined in the Scheme hereinafter mentioned), for the purpose of considering and, if thought fit, approving, with or without modifications, a scheme of arrangement (the “Scheme”) proposed to be made between the Company and the holders of Scheme Shares and that the Meeting will be held at Concord Room, 8th Floor, Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong on Friday, 13 January 2006 at 10:30 a.m. at which place and time all such holders of ordinary shares of HK\$1.00 each in the capital of the Company are requested to attend.

A copy of the Scheme and a copy of an explanatory memorandum explaining the effect of the Scheme are incorporated in the composite document of which this Notice forms part. A copy of the said composite document can also be obtained by the above-mentioned holders of ordinary shares of HK\$1.00 each in the capital of the Company from the Company’s branch share registrar in Hong Kong, Standard Registrars Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong. With effect from 3 January 2006, the Company’s branch share registrar in Hong Kong, Standard Registrars Limited, will be relocated to 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong.

The above-mentioned holders of ordinary shares of HK\$1.00 each in the capital of the Company may vote in person at the Meeting or they may appoint one or more proxies, whether a member of the Company or not, to attend and vote in their stead. A pink form of proxy for use at the Meeting is enclosed herewith.

In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and, for this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.

NOTICE OF COURT MEETING

It is requested that forms appointing proxies be lodged with the principal place of business of the Company in Hong Kong, at 2008, 20th Floor, New World Tower 1, 18 Queen's Road Central, Hong Kong not later than 48 hours before the time appointed for the Meeting, but if forms are not so lodged they may be handed to the chairman of the Meeting at the Meeting.

By the Order, the Court has appointed Mr. Kong Chi-How, Johnson, a director of the Company, or failing him, Dr. Lam Man-Kit, Dominic, also a director of the Company, or failing him, any other person who is a director of the Company as at the date of the Order, to act as the chairman of the Meeting and has directed the chairman of the Meeting to report the results thereof to the Court.

The Scheme will be subject to a subsequent application seeking the sanction of the Court.

Dated 16 December 2005

Maples and Calder
P. O. Box 309GT
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands
Attorneys for the Company

NOTICE OF EXTRAORDINARY GENERAL MEETING

**NEW
WORLD
TMT**

新世界信息科技有限公司*

NewWorldTMT Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 0301)

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of New World TMT Limited (the “Company”) will be held at Concord Room, 8th Floor, Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong on Friday, 13 January 2006 at 11:00 a.m. (Hong Kong time) (or so soon thereafter as the meeting of certain holders of the ordinary shares of HK\$1.00 each in the capital of the Company convened by direction of the Grand Court of the Cayman Islands for the same place and day shall have been concluded or adjourned), for the purpose of considering and, if thought fit, passing the following resolution as a Special Resolution:

SPECIAL RESOLUTION

“THAT:

- (A) the scheme of arrangement dated 16 December 2005 (the “Scheme”) between the Company and the holders of the Scheme Shares (as defined in the Scheme) in the form of the print thereof which has been produced to this meeting and for the purposes of identification signed by the chairman of this meeting, subject to any modifications, additions or conditions as may be approved or imposed by the Grand Court of the Cayman Islands, be and is hereby approved;
- (B) for the purpose of giving effect to the Scheme, on the Effective Date (as defined in the Scheme):
- (i) the issued share capital of the Company be reduced by cancelling and extinguishing the Scheme Shares;
 - (ii) subject to and forthwith upon such reduction of capital taking effect, the share capital of the Company will be increased to its former amount of HK\$952,180,007 by the issue of the same number of ordinary shares of HK\$1.00 each in the capital of the Company as is equal to the Scheme Shares cancelled; and
 - (iii) the Company shall apply the credit arising in its books of account as a result of such capital reduction in paying up in full at par the 435,618,522 new ordinary shares of HK\$1.00 each in the capital of the Company issued, credited as fully paid, to Mombasa Limited or as New World Development Company Limited may direct;

* For identification purposes only

NOTICE OF EXTRAORDINARY GENERAL MEETING

(C) the directors of the Company be and are hereby authorised to do all acts and things considered by them to be necessary or desirable in connection with the implementation of the Scheme, including (without limitation) the giving of consent to any modification of, or addition to, the Scheme, which the Grand Court of the Cayman Islands may see fit to impose.”

By Order of the Board
Richard Poon
Company Secretary

Dated 16 December 2005

Registered Office

Ugland House
South Church Street
P.O. Box 309
George Town
Grand Cayman
Cayman Islands
British West Indies

Head Office and Principal Place of Business in Hong Kong

2008, 20th Floor
New World Tower 1
18 Queen's Road Central
Hong Kong

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company, but must attend the Meeting in person to represent him.
2. A white form of proxy for use at the Meeting is enclosed herewith.
3. In order to be valid, the white form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be lodged with the principal place of business of the Company in Hong Kong, at 2008, 20th Floor, New World Tower 1, 18 Queen's Road Central, Hong Kong not less than 48 hours before the time for holding the Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude a member from attending the Meeting and voting in person if he so wishes. In the event that a member attends the Meeting after having lodged his form of proxy, his form of proxy will be deemed to have been revoked.
4. In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and, for this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.

NOTICE OF EXTRAORDINARY GENERAL MEETING

5. At the Meeting, the chairman of the Meeting will exercise his power under article 80 of the articles of association of the Company to put the above resolution to vote by way of a poll.
6. The register of members of the Company will be closed from Tuesday, 10 January 2006 to Friday, 13 January 2006 (both dates inclusive) during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Standard Registrars Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Monday, 9 January 2006. With effect from 3 January 2006, the Company's branch share registrar in Hong Kong, Standard Registrars Limited, will be relocated to 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
7. As at the date hereof, the board of directors of the Company comprises: (i) executive directors: Dr. CHENG Kar-Shun, Henry, Mr. WONG Chi-Chiu, Albert and Dr. WAI Fung-Man, Norman; (ii) non-executive directors: Mr. Wilfried Ernst KAFFENBERGER (alternate director to Mr. Wilfried Ernst KAFFENBERGER: Mr. YEUNG Kun-Wah, David), Mr. FU Sze-Shing, Mr. LEE Sean, Sammy and Mr. LAI Hing-Chiu, Dominic; and (iii) independent non-executive directors: Dr. LAM Man-Kit, Dominic, The Honourable SHEK Lai-Him, Abraham and Mr. KONG Chi-How, Johnson.