



TECHNOLOGY VENTURE HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

DISCLOSEABLE TRANSACTION

The Directors announced that on 13 November 2000, the Purchaser, a wholly owned subsidiary of the Company, entered into the LOI with the Vendor and Skynet pursuant to which: (1) the Purchaser has agreed to acquire from the Vendor the Sale Shares; and (2) the Purchaser has agreed to subscribe for and Skynet has agreed to allot and issue, the New Shares. Upon Completion, the Purchaser will be the beneficial owner of 51 per cent. of the issued share capital of Skynet as enlarged by the allotment and issue of the New Shares.

The Existing Shares Consideration is HK\$50,000,000 and is payable by the Purchaser to the Vendor in four instalments, details of which are set out in the section headed "Consideration" below.

Upon election of the Purchaser, the second, third and fourth instalments of the Existing Shares Consideration or any part thereof may be satisfied by the allotment and issue of such number of the Consideration Shares calculated in the manner set out in the section headed "Consideration" below.

The New Shares Consideration is HK\$90,000,000 and is payable by the Purchaser to Skynet in five instalments, details of which are set out in the section headed "Consideration" below.

The Acquisition constitutes a discloseable transaction on the part of the Company under the Listing Rules.

The SGM will be convened as soon as reasonably possible to consider and if thought fit, passing an ordinary resolution to approve the allotment and issue of the Consideration Shares to the Vendor.

A circular containing, among other matters, details of the LOI, the Agreement and the notice convening the SGM will be despatched to the shareholders of the Company as soon as possible and in any event, within 21 days of the date of publication of this announcement.

The Letter of Intent dated 13 November 2000

Parties

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| (1) The Purchaser | : Technology Venture Investments Limited, a wholly owned subsidiary of the Company |
| (2) The Vendor | : Datamatics Limited, a company incorporated in the British Virgin Islands |
| | The Vendor is an independent third party not connected with the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates. |
| (3) Skynet | : Skynet Consultants Company Limited (佳力顧問(遠東)有限公司), a company incorporated in Hong Kong |

Assets acquired

Pursuant to the LOI, the Vendor has agreed to sell and the Purchaser has agreed to purchase, the Sale Shares, being approximately 27.1 per cent. of the existing issued share capital of Skynet and approximately 18.2 per cent. of the issued share capital of Skynet as enlarged by the allotment and issue of the New Shares. As at the date of this announcement, the existing issued share capital of Skynet is HK\$10,000 divided into 10,000 shares of HK\$1.00

each.

Pursuant to the LOI, the Purchaser has also agreed to subscribe for and Skynet has agreed to allot and issue, the New Shares, being approximately 48.8 per cent. of the existing issued share capital of Skynet and approximately 32.8 per cent. of the issued share capital of Skynet as enlarged by the allotment and issue of the New Shares.

Upon Completion, the Purchaser will be the beneficial owner of 51 per cent. of the issued share capital of Skynet as enlarged by the allotment and issue of the New Shares.

Skynet commenced its business in November 1999 and is a computer systems integrator principally engaged in the provision of networking, Internet security, e-commerce and web based television solutions in Hong Kong, the PRC and certain other countries in Asia.

As at 31 October 2000, the net assets of Skynet based on its unaudited management accounts amounted to approximately HK\$237,000. Based on its unaudited management accounts for the ten months ended 31 October 2000, Skynet recorded a net profit before taxation of approximately HK\$2,926,000 for the ten months ended 31 October 2000. Based on the unaudited net asset value of Skynet as at 31 October 2000 of HK\$237,000, the net asset value of Skynet to be acquired by the Group pursuant to the Acquisition amounted to approximately HK\$121,000.

The Existing Shares Consideration and the New Shares Consideration payable by the Purchaser for the Acquisition is arrived at after arm's length negotiations between the Purchaser, the Vendor and Skynet.

Consideration

Payment of the Existing Shares Consideration

The Existing Shares Consideration is HK\$50,000,000 and is payable in four instalments as follows:

- (a) HK\$10,000,000 on the date of Completion;
- (b) HK\$20,000,000 (the "**Second Instalment**") within 10 business days after the date of issue of the audited accounts of Skynet for the year ending 31 December 2001;
- (c) HK\$10,000,000 (the "**Third Instalment**") within 10 business days after the date of issue of the audited accounts of Skynet for the year ending 31 December 2002; and
- (d) HK\$10,000,000 (the "**Fourth Instalment**") within 10 business days after the date of issue of the audited accounts of Skynet for the year ending 31 December 2003.

Upon election of the Purchaser, the Second Instalment, the Third Instalment and the Fourth Instalment or any part thereof (the "**Elected Consideration**") may be satisfied by the allotment and issue of such number of Consideration Shares calculated by dividing the Elected Consideration by the average closing price of the Shares as quoted on the Stock Exchange for the five trading days immediately before the relevant date of payment of the Elected Consideration.

Adjustments to the Existing Shares Consideration

Each of the Second Instalment, the Third Instalment and the Fourth Instalment is subject to adjustments as follows:

- (a) if the audited profits after tax for the financial year ending 31 December 2001 of Skynet (the "**2001 PAT**") exceed HK\$19.0 million, the Second Instalment will be increased by an amount equal to 50 per cent. of the difference between the 2001 PAT and HK\$19.0 million;
- (b) if the 2001 PAT is below HK\$11.6 million, the Second Instalment will be reduced by an amount equal to 50 per cent. of the difference between the 2001 PAT and HK\$11.6 million;
- (c) if the aggregate of the 2001 PAT and the audited profits after tax for the financial year ending 31 December 2002 of Skynet (the "**Cumulative 2002 PAT**") exceed HK\$50.1 million, the Third Instalment will be increased by an amount equal to 50 per cent. of the difference between the Cumulative 2002 PAT and HK\$50.1 million. The excess

over the Third Instalment, after subtracting any adjustments made under (a) above or adding any adjustments in (b) above, is payable at the same time as the payment of the Third Instalment;

(d) if the Cumulative 2002 PAT is below HK\$30.5 million, the Third Instalment will be reduced by an amount equal to 50 per cent. of the difference between the Cumulative 2002 PAT and HK\$30.5 million. The reduction from the Third Instalment, after subtracting any adjustments made under (a) above or adding any adjustments in (b) above, will be deducted from the Third Instalment. Any shortfall will be refunded to the Purchaser by the Vendor in cash within ten business days of being notified of the Cumulative 2002 PAT;

(e) if the aggregate of the Cumulative 2002 PAT and the audited profits after tax for the financial year ending 31 December 2003 of Skynet (the "**Cumulative 2003 PAT**") exceed HK\$97.8 million, the Fourth Instalment will be increased by an amount equal to 50 per cent. of the difference between the Cumulative 2003 PAT and HK\$97.8 million. The excess over the Fourth Instalment, after subtracting any adjustments under (c) above, or adding any adjustments in (d) above, is payable at the same time as the payment of the Fourth Instalment; and

(f) if the Cumulative 2003 PAT is below HK\$59.5 million, the Fourth Instalment will be reduced to an amount equal to 50 per cent. of the difference between the Cumulative 2003 PAT and HK\$59.5 million. The reduction from the Fourth Instalment, after subtracting any adjustments under (c) above, or adding any adjustments in (d) above, will be deducted from the Fourth Instalment. Any shortfall will be refunded to the Purchaser by the Vendor in cash within ten business days of being notified of the Cumulative 2003 PAT.

The 2001 PAT, Cumulative 2002 PAT and Cumulative 2003 PAT were arrived at based on the anticipation of the management of Skynet on the performance of Skynet for the relevant years by taking into account the current performance of Skynet, its business plans for the relevant years, its financial position taken into account the new funding from the New Share Acquisition and the growth of the industries in which Skynet operates.

Other information on the Existing Shares Consideration

The Consideration Shares, if allotted and issued in full upon election by the Purchaser and based on the closing price of the Shares of HK\$2.25 per Share as quoted on the Stock Exchange as at 13 November 2000, being the date of the LOI, represents:

(a) approximately 5.0 per cent. of the existing issued share capital of the Company; and

(b) approximately 4.8 per cent. of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

The SGM will be convened and held as soon as reasonably practicable to approve the allotment and issue of the Consideration Shares to the Vendor.

Payment of the New Shares Consideration

The New Shares Consideration is HK\$90,000,000 and is payable in five instalments as follows:

(1) HK\$25,000,000 has been paid upon signing of the LOI as refundable initial deposit and part payment of the New Shares Consideration;

(2) HK\$25,000,000 on the date of completion of the Agreement;

(3) HK\$5,000,000 on 30 June 2001;

(4) HK\$15,000,000 on 30 June 2002; and

(5) HK\$20,000,000 on 30 June 2003.

The Directors, including the independent non-executive Directors, consider that the terms and conditions of the LOI are based on normal commercial terms and are fair and reasonable so far as the shareholders of the Company are concerned.

Conditions

Completion is subject to and conditional upon:

- (1) satisfactory due diligence on Skynet and its affairs, assets or liabilities to be carried out and confirmed by the Purchaser and its advisers;
- (2) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Consideration Shares;
- (3) the shareholders of the Company passing at the SGM an ordinary resolution approving the allotment and issue of the Consideration Shares to the Vendor; and
- (4) the Bermuda Monetary Authority granting its consent for the allotment and issue of the Consideration Shares.

Agreement

A formal sale and purchase and subscription agreement in respect of the Acquisition is intended to be entered into between the Purchaser, the Vendor and Skynet as soon as reasonably practicable and in any event, within 21 days of the date of the LOI.

Reasons for the Acquisition

The Company is principally engaged in investment holding with its subsidiaries principally engaged in the provision of systems integration services, software development and the provision of other information technology services. It is expected that the addition of Skynet to the Group will not only benefit the Group financially through profit contribution; but will also complement and complete its existing product and service offerings.

Skynet's capability in building broadband Internet Protocol network infrastructure and providing web based television solutions would enable the Group to provide services in these areas to ChinaCast Technology (BVI) Limited, a company in which the Group has 19.9 per cent. equity interest and an Internet infrastructure technology enabler principally engaged in the provision of technology supporting broadband and Internet services in the PRC.

In addition, Skynet's expertise in Internet security and e-commerce software platform would enable the Group to have an immediate entry to the data communications application software and Internet security solutions business, where the growth of the information technology industry is forecasted to be. Furthermore, the addition of this business will enhance the Group's position in providing the most up-to-date and secure e-commerce solutions to enterprises especially in the banking and the finance sector, where the Group has a strong presence.

General

The SGM will be convened as soon as possible to consider and if thought fit, passing the resolutions to approve the allotment and issue of the Consideration Shares to the Vendor.

A circular containing, among other matters, further details of the LOI, the Agreement and the notice of the SGM to approve the allotment and issue of the Consideration Shares will be despatched to the shareholders of the Company as soon as possible and in any event, within 21 days of the date of publication of this announcement.

Application will be made to the Stock Exchange for the listing of and permission to deal in the Consideration Shares.

Definitions

In this Announcement, unless the context otherwise requires, the following words and expressions shall have the respective meanings set out opposite them:

"Agreement"

the formal agreement for the sale and purchase of the Sale Shares and the subscription for and allotment and issue of, the New Shares to be entered into between the Purchaser, the Vendor and Skynet

"associates"	has the meaning ascribed thereto in the Listing Rules
"Acquisition"	Existing Shares Acquisition and New Shares Acquisition
"Company"	Technology Venture Holdings Limited, a company incorporated in Bermuda and the Shares of which are listed on the Stock Exchange
"Completion"	completion of the Agreement
"Consideration Shares"	such number of Shares which may be allotted and issued to the Vendor as consideration for the Existing Shares Acquisition
"Directors"	directors of the Company
"Existing Shares Acquisition"	the acquisition by the Purchaser from the Vendor of the Sale Shares pursuant to the terms and conditions of the LOI and the Agreement
"Existing Shares Consideration"	HK\$50,000,000, being the consideration for the Existing Shares Acquisition
"Group"	the Company and its subsidiaries
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"LOI"	the letter of intent dated 13 November 2000 between the Purchaser, Skynet and the Vendor
"New Shares"	4,880 new shares to be issued by Skynet to the Purchaser
"New Shares Acquisition"	the subscription by the Purchaser and the allotment and issue, of the New Shares pursuant to the terms and conditions of the LOI and the Agreement
"New Shares Consideration"	HK\$90,000,000, being the consideration for the New Shares Acquisition
"PRC"	The People's Republic of China, which for the purposes of this announcement, excludes Hong Kong
"Purchaser"	Technology Venture Investments Limited, a wholly owned subsidiary of the Company
"Sale Shares"	2,710 shares in the issued share capital of Skynet
"SGM"	the special general meeting of the Company to be convened to consider the allotment and issue of the Consideration Shares to the Vendor
"Shares"	shares of HK\$0.10 each in the capital of the Company
"Skynet"	Skynet Consultants Company Limited (佳力顧問(遠東)有限公司), a company incorporated in Hong Kong
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Vendor"	Datamatics Limited, a company incorporated in the British Virgin Islands
"HK\$"	Hong Kong dollars

By order of the board
Technology Venture Holdings Limited
Chan Tze Ngon, Ron
Chairman

Hong Kong, 13 November 2000

Please also refer to the published version of this announcement in South China Morning Post and Hong Kong Economic Times.