

## IMPORTANT

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**If you have sold or transferred** all your shares in the Company, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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### TECHNOLOGY VENTURE HOLDINGS LIMITED

( 宏 昌 科 技 集 團 有 限 公 司 ) \*

*(incorporated in Bermuda with limited liability)*

### CONNECTED AND SHARE TRANSACTION

**Acquisition of 10 per cent. of the issued share capital of  
DMX Technologies (HK) Limited**

**Independent financial adviser to the  
Independent Board Committee of Technology Venture Holdings Limited**



**KINGSTON CORPORATE FINANCE LIMITED**

A letter from the independent board committee of the Company dated 24 June 2002 is set out on page 10 of this circular. A letter from Kingston Corporate Finance Limited containing its advice to the independent board committee of the Company dated 24 June 2002 is set out on pages 11 to 17 of this circular.

A notice convening the SGM to be held at 8th Floor, Tianjin Building, 167 Connaught Road West, Hong Kong at 11 a.m. on 17 July 2002 is set out on pages 21 to 22 of this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the Hong Kong branch share registrar of the Company, Tengis Limited, at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or at any adjourned meeting thereof should you so wish.

\* for identification purpose only

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## DEFINITIONS

*In this document, unless the context otherwise requires, the following expressions have the following meanings:*

“Actual IPO Price”	the price (exclusive of brokerage, trading fee and transaction levy, if any) of which the shares in Listco are subscribed or purchased by successful applicants under the proposed offer of Listco Shares in connection with the Proposed Listing
“Actual Market Capitalisation”	the product of the Actual IPO Price and the Exchanged Listco Shares
“Acquisition”	the acquisition by the Purchaser of the Sale Shares pursuant to the terms and conditions of the Agreement
“Agreement”	a conditional agreement dated 4 June 2002 and made between (1) the Purchaser; (2) the Vendor; and (3) the Guarantor in relation to the Acquisition
“Board”	board of Directors
“Business Day”	a day (other than a Saturday) on which licensed banks in Hong Kong are open for business throughout their normal business hours
“Company”	Technology Venture Holdings Limited, the issued Shares of which are listed on the Hong Kong Stock Exchange
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the Agreement
“Consideration”	HK\$28,080,000 being the consideration payable by the Purchaser to the Vendor for the Sale Shares under the Agreement
“Consideration Shares”	49,964,413 Shares to be allotted and issued to the Vendor, credited as fully paid, to satisfy the Consideration
“Directors”	directors of the Company
“DMX”	DMX Technologies (HK) Limited, a company incorporated in Hong Kong, of which approximately 51 per cent. of the entire issued capital is owned by the Purchaser
“DMX Group”	DMX and its subsidiaries
“Exchanged Listco Shares”	such number of shares in Listco for which the Sale Shares are to be exchanged for pursuant to the Pre-Listing Reorganisation

## DEFINITIONS

“Group”	the Company and its subsidiaries
“Guarantor”	Ho Kam Shing, Peter, the sole director and beneficial owner of the entire issued share capital of the Vendor and accordingly a connected person (as defined in the Listing Rules) of the Company. Save as being the sole director and beneficial owner of the entire issued share capital of the Vendor, the Guarantor is an independent party not otherwise connected with the directors, chief executive or substantial shareholder of the Company or any of its subsidiaries or any of their respective associates
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	an independent committee of the board of Directors comprising the independent non-executive Directors, Dr Lo Siew Kiong, John and Dr Chou Tao Hsiung, Joseph, appointed to advise the Independent Shareholders in relation to the Acquisition
“Independent Shareholders”	Shareholders other than the Vendor and its associates
“Kingston”	Kingston Corporate Finance Limited, an investment adviser registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong) and the independent financial adviser to the Independent Board Committee in respect of the Acquisition
“Latest Practicable Date”	21 June 2002, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listco”	the proposed ultimate holding company of the DMX Group to be incorporated in Bermuda, which pursuant to the Pre-Listing Reorganisation, will become the holding company of the Listco Group
“Listco Group”	Listco and its subsidiaries (including DMX) following the Pre-Listing Reorganisation
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Management Accounts”	the unaudited combined management accounts of the DMX Group as at 30 April 2002

## DEFINITIONS

“Pre-Listing Reorganisation”	the proposed reorganisation of the DMX Group prior to and in preparation of the Proposed Listing pursuant to which (1) DMX and its subsidiaries will be reorganised into subsidiaries of Listco; (2) the shareholders of DMX will become shareholders of Listco; and (3) Listco will apply for the Proposed Listing
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong
“Proposed Listing”	the proposed listing of shares in Listco on a recognised stock exchange to be agreed between the Purchaser and the Vendor
“Proposed Spin-off”	the proposed spin-off of DMX
“Purchaser”	Technology Venture Investments Limited, a wholly owned subsidiary of the Company
“Sale Shares”	a total of 1,488 shares of HK\$1.00 each in the capital of DMX, representing 10 per cent. of the issued share capital of DMX
“SDI Ordinance”	the Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened to consider the Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Consideration Shares to the Vendor, credited as fully paid.
“Shareholders”	shareholders of the Company
“Shares”	shares of HK\$0.10 each in the capital of the Company
“Vendor”	Datamatics Limited, a substantial shareholder of DMX and accordingly a connected person (as defined in the Listing Rules) of the Company. The Vendor is wholly owned by the Guarantor and which the Guarantor is the sole director of. Save as being a substantial shareholder of DMX, the Vendor is an independent party not otherwise connected with the directors, chief executive or substantial shareholder of the Company or any of its subsidiaries or any of their respective associates
“HK\$”	Hong Kong dollars

## LETTER FROM THE BOARD



### TECHNOLOGY VENTURE HOLDINGS LIMITED

( 宏 昌 科 技 集 團 有 限 公 司 ) \*

(incorporated in Bermuda with limited liability)

***Directors:***

Mr Chan Tze Ngon (*Chairman*)  
Mr Wu, Emmy (*Vice Chairman*)  
Mr Tang Kin Hung  
Mr Chow Siu Lam, Cliff  
Ms Teo Chor Khin, Jismyl

***Registered office:***

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

***Non-executive Director:***

Mr Luk Chung Po

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

8th Floor  
Tianjin Building  
167 Connaught Road West  
Hong Kong

***Independent non-executive Directors:***

Dr Lo Siew Kiong, John  
Dr Chou Tao Hsiung, Joseph

24 June 2002

*To the Shareholders*

Dear Sir or Madam

### ACQUISITION OF 10 PER CENT. OF THE ISSUED SHARE CAPITAL OF DMX TECHNOLOGIES (HK) LIMITED

#### INTRODUCTION

The Directors announced on 7 June 2002 that pursuant to an agreement dated 4 June 2002 and made between (1) the Purchaser, a wholly owned subsidiary of the Company; (2) the Vendor; and (3) the Guarantor, the Purchaser has agreed to acquire from the Vendor the Sale Shares. The Consideration is to be satisfied by the allotment and issue of 49,964,413 Consideration Shares.

The entire issued capital of DMX is owned as to 51 per cent. by the Group and as to the balance of 49 per cent. by the Vendor. In turn, the entire issued share capital of the Vendor is beneficially owned by the Guarantor. Accordingly, each of the Vendor and the Guarantor is a connected person (as defined in the Listing Rules) of the Company and the Acquisition constitutes a connected and share transaction on the part of the Company under the Listing Rules.

The Independent Board Committee has been formed to advise the Independent Shareholders as to the fairness and reasonableness of the Agreement and the transactions contemplated thereunder including but not limited to the allotment and issue of the Consideration Shares to the Vendor, credited as fully paid. Kingston has been appointed to advise the Independent Board Committee in this regard.

\* for identification purpose only

## LETTER FROM THE BOARD

**The Vendor and its associates (as defined in the Listing Rules) will abstain from voting in respect of the resolution to be proposed at the SGM to approve the Agreement and transactions contemplated thereunder including but not limited to the allotment and issue of the Consideration Shares to the Vendor, credited as fully paid.**

The purpose of this circular is to provide you with, among other things, (i) details of the Agreement; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders; and (iii) a letter of advice from Kingston to the Independent Board Committee, and to seek your approval of, the Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Consideration Shares to the Vendor, credited as fully paid, at the SGM.

### THE AGREEMENT

**Date** : 4 June 2002

#### Parties

(1) The Purchaser : Technology Venture Investments Limited, a wholly owned subsidiary of the Company

(2) The Vendor : Datamatics Limited

The Vendor is a substantial shareholder of DMX and accordingly a connected person (as defined in the Listing Rules) of the Company. The Vendor is wholly owned by the Guarantor. Save as being a substantial shareholder of DMX, the Vendor is an independent party not otherwise connected with the directors, chief executive or substantial shareholder of the Company or any of its subsidiaries or any of their respective associates.

(3) The Guarantor : Ho Kam Shing, Peter

The Guarantor is the sole director and beneficial owner of the entire issued share capital of the Vendor and accordingly a connected person (as defined in the Listing Rules) of the Company. Save as being the sole director and beneficial owner of the entire issued share capital of the Vendor, the Guarantor is an independent party not otherwise connected with the directors, chief executive or substantial shareholder of the Company or any of its subsidiaries or any of their respective associates,

#### Assets acquired

The Purchaser acquired approximately 51 per cent. of the issued share capital of DMX (then Skynet Consultants Company Limited) on 28 November 2000. Pursuant to the Agreement, the Vendor has agreed to sell and the Purchaser has agreed to purchase, the Sale Shares, being 10 per cent. of the issued share capital of DMX, resulting in an aggregate holding by the Purchaser of approximately 61 per cent. of the issued share capital of DMX upon Completion. As at the date of this circular, the existing issued share capital of DMX is HK\$14,880 divided into 14,880 shares of HK\$1.00 each.

## LETTER FROM THE BOARD

DMX was incorporated in Hong Kong on 9 August 1994 and its entire issued capital is owned as to 51 per cent. by the Group and as to the balance of 49 per cent. by the Vendor. In turn, the entire issued share capital of the Vendor is beneficially owned by the Guarantor. Accordingly, each of the Vendor and the Guarantor is a connected person (as defined in the Listing Rules) of the Company and the Acquisition constitutes a connected transaction on the part of the Company under the Listing Rules.

The DMX Group commenced its business in November 1999 and is a computer system 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.

The net liability of the DMX Group, based on its audited accounts (the “**2000 Audited Accounts**”) for the 12 months ended 30 June 2000, amounted to approximately HK\$1,461,323. Based on the 2000 Audited Accounts, the DMX Group recorded a profit before and after taxation of approximately HK\$1,022,648 for the 12 months ended 30 June 2000.

As at 31 December 2001, the net assets of the DMX Group, based on its audited accounts (the “**2001 Audited Accounts**”) for the 18 months ended 31 December 2001, amounted to HK\$99,651,065. Based on the 2001 Audited Accounts, the DMX Group recorded a net profit (the “**Net Profit**”) before taxation of approximately HK\$13,824,302 and a profit after tax of approximately HK\$11,112,388 for the 18 months ended 31 December 2001.

### Consideration

The aggregate consideration for the Acquisition is HK\$28,080,000, representing a premium of approximately HK\$18,096,103 over, or approximately 181.25 per cent. of, the net tangible asset value of DMX attributable to the Sale Shares based on the Management Accounts. The Consideration, and accordingly, the premium, was agreed to in contemplation of the Proposed Spin-off and the Proposed Listing and was meant to reflect the expected market capitalisation of the Exchanged Listco Shares. Reference is made to the previous announcements of the Company dated 17 May 2002 and 31 May 2002 respectively. The expected market capitalisation of the Exchanged Listco Shares is calculated with reference to, among other factors, (i) the price earnings ratio of the Sale Shares based on the Management Accounts, which amounts to approximately 15.5 times; and (ii) the price earnings ratios of companies listed on the Hong Kong Stock Exchange, the NASDAQ and the Stock Exchange of Singapore Limited with business similar to the DMX Group.

The Consideration payable by the Purchaser for the Acquisition is based on arm’s length negotiations between the Purchaser and the Vendor.

The Consideration is to be satisfied by the allotment and issue of a total of 49,964,413 Consideration Shares, credited as fully paid, calculated by reference to the average closing price of the Shares as quoted on the Hong Kong Stock Exchange for the 5 trading days immediately preceding the date of the Agreement, namely HK\$0.562.

The Consideration Shares, when allotted and issued, will rank pari passu in all respects with each other and with the existing issued Shares. At Completion, the 49,964,413 Consideration Shares will be allotted and issued at the issue price of HK\$0.562 per Consideration Share (the “**Issue Price**”), representing approximately 11.04 per cent. of the issued share capital of the Company and approximately 9.94 per cent. of the issued share capital of the Company as enlarged by the allotment and issue of Consideration Shares.



## LETTER FROM THE BOARD

The Issue Price represents a discount of approximately 1.2 per cent. to the average closing price of the Shares of HK\$0.569 for the last 10 trading days up to the date of the Agreement and a premium of approximately 0.4 per cent. over the closing price of the Shares of HK\$0.56 as at the date of the Agreement.

The value of the Consideration Shares based on the closing price of the Shares as at the Latest Practicable Date is approximately HK\$0.43, representing a premium of approximately HK\$11,500,800 over, or approximately 115.2 per cent. of, the net tangible asset value of DMX attributable to the Sale Shares based on the Management Accounts.

In the event that the Proposed Spin-off or the Proposed Listing do not materialise, the Company intends to continue to hold the shares in DMX as a long-term investment. Further, there will not be any adjustment to the Consideration as referred to hereinbelow.

### **Adjustment to the Consideration**

In the event that the Actual Market Capitalisation is less than 95 per cent. of the Consideration, the Vendor shall pay to the Purchaser in cash a sum equal to the difference by which the Consideration exceeds the Actual Market Capitalisation, such payment to be made within 7 days after the receipt of a certificate in writing signed by the Purchaser certifying the said difference. The certificate itself shall be delivered within 7 days after the later of the issue of the prospectus of DMX in connection with the Proposed Listing or the final determination of the Actual IPO Price. The Guarantor has given a guarantee in relation to, among other things, the performance by the Vendor of its obligation to pay the Purchaser in the manner specified above.

### **Conditions**

Completion is conditional on:

- (1) the Listing Committee of the Hong Kong Stock Exchange granting listing of and permission to deal in the Consideration Shares;
- (2) if necessary, the Bermuda Monetary Authority granting consent to the allotment and issue of the Consideration Shares; and
- (3) the Independent Shareholders passing at the SGM an ordinary resolution to approve the Agreement and the transactions contemplated thereunder including but not limited to the allotment and issue of the Consideration Shares to the Vendor, credited as fully paid.

Completion shall take place on the day falling two Business Days after the fulfillment of the conditions referred to above. If any of the conditions referred to above is not fulfilled on or before 31 July 2002, the Agreement shall cease and determine and none of the parties shall have any claim against the others.

## LETTER FROM THE BOARD

### 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 and is well-complemented by the DMX Group's business, particularly in the PRC and certain other countries in Asia.

The Acquisition is expected to further enable the Group to capture the potential capital appreciation of the DMX Group and is also expected to enhance the DMX Group's strategic value to the Group.

Further, as a consequence of the Proposed Listing, the Group's interest in the DMX Group will be diluted and the Acquisition is also made with the intention to top up the Group's diluted interest in the DMX Group as a result of the Proposed Listing.

### THE SGM

As the Vendor is a substantial shareholder of DMX and the entire issued share capital of the Vendor is in turn beneficially owned by the Guarantor, the Directors consider that each of the Vendor and the Guarantor is a connected person (as defined in the Listing Rules) of the Company and the Acquisition constitutes a connected transaction on the part of the Company under the Listing Rules and will accordingly be required to be made conditional on the approval of the Independent Shareholders at the SGM.

A notice convening the SGM to be held at 8th Floor, Tianjin Building, 167 Connaught Road West, Hong Kong at 11 a.m. on 17 July 2002 is set out on pages 21 to 22 of this circular. A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the Hong Kong branch share registrar of the Company, Tengis Limited, at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or at any adjourned meeting should you so wish.

**The Vendor and its associates (as defined in the Listing Rules) will abstain from voting in respect of the resolution to be proposed at the SGM to approve the Agreement and transactions contemplated thereunder including but not limited to the allotment and issue of the Consideration Shares to the Vendor, credited as fully paid.**

### GENERAL

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

### RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 10 of this circular which contains its recommendation to the Independent Shareholders on the Acquisition, and also the letter from Kingston set out on pages 11 to 17 containing its advice to the Independent Board Committee on the Acquisition.

## **LETTER FROM THE BOARD**

The Independent Board Committee has considered the terms of the Acquisition and taken into account the advice of Kingston. The Independent Board Committee considers that the terms of the Acquisition are fair and reasonable so far as the Independent Shareholders are concerned and accordingly recommend the Independent Shareholders to vote in favour of the ordinary resolution for the approval of the Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Consideration Shares to the Vendor, credited as fully paid.

### **FURTHER INFORMATION**

Your attention is drawn to the letter from the Independent Board Committee, the letter from Kingston and the information set out in the appendix to this circular.

Yours faithfully  
For and on behalf of the Board  
**Technology Venture Holdings Limited**  
**Chan Tze Ngon**  
*Chairman*



**TECHNOLOGY VENTURE HOLDINGS LIMITED**

**( 宏 昌 科 技 集 團 有 限 公 司 ) \***

*(incorporated in Bermuda with limited liability)*

24 June 2002

*To the Independent Shareholders*

Dear Sir or Madam,

**CONNECTED AND SHARE TRANSACTION**

We refer to the circular (the “Circular”) of the Company dated 24 June 2002 of which this letter form part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We are a committee of the independent Directors and have been appointed by the Board to advise you as to whether, in our opinion, the terms and conditions of the Acquisition, including the allotment and issue of the Consideration Shares, are fair and reasonable so far as the Independent Shareholders are concerned. Kingston has been appointed by the Company as the independent financial adviser to advise us in this respect.

We wish to draw your attention to the letter of advice from Kingston as set out on pages 11 to 17 of the Circular. We have considered the terms and the conditions of the Acquisition, including the allotment and issue of the Consideration Shares, and the advice of Kingston and the various factors contained in the letter from the Board set out on pages 4 to 9 of the Circular. In our opinion, the terms and conditions of the Acquisition, including the allotment and issue of the Consideration Shares, are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution proposed at the SGM, notice of which is set out on pages 21 to 22 of the Circular.

Yours faithfully

**Dr Lo Siew Kiong, John      Dr Chou Tao Hsiung, Joseph**  
*Independent Board Committee*

\* *for identification purpose only*

## LETTER FROM KINGSTON



### KINGSTON CORPORATE FINANCE LIMITED

Suite 2801, 28th Floor  
One International Finance Centre  
1 Harbour View Street, Central  
Hong Kong

24 June 2002

*To the Independent Board Committee*

Dear Sirs,

### CONNECTED AND SHARE TRANSACTION

#### INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in respect of the terms of the Agreement, details of which are set out in the letter from the Board contained in the Company's circular dated 24 June 2002 (the "Circular") of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

Pursuant to the Agreement entered into between the Purchaser, a wholly-owned subsidiary of the Company, the Vendor and the Guarantor, the Purchaser has conditionally agreed to acquire from the Vendor the Sale Shares for a consideration of HK\$28,080,000 which shall be satisfied by the issue of the Consideration Shares at HK\$0.562 each. Pursuant to the Listing Rules, the Acquisition constitutes a connected and share transaction for the Company and is subject to approval by the Independent Shareholders at the SGM.

#### BASIS OF OUR OPINION

In formulating our opinion, we have reviewed, among other things, information and representations concerning the Group, the Agreement, the information regarding the DMX Group and the Management Accounts provided by the Directors. We have discussed with the Directors the business and future development of the DMX Group. We have assumed that the Management Accounts of the DMX Group and other financial information in respect of the Acquisition is fair and accurate in all respects and that all information and representations made to them are true and accurate. We consider that we have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Group, which have been provided to us. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinion expressed. We have relied on such information and opinions and have not, however, conducted any independent investigation into the business, financial conditions and affairs of the Group and the DMX Group or likely prospects for the industry in which the DMX Group operates.

# LETTER FROM KINGSTON

## PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion as to the fairness and reasonableness of the terms of the Agreement and as to whether the Acquisition is in the interest of the Independent Shareholders, we have considered the following principal factors:

### I. 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.

The Company acquired 51 per cent. interests of DMX in November 2000. The DMX Group commenced its business in November 1999 and is a computer system 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. According to the Directors, with PRC's accession to the World Trade Organisation and recovering economic conditions in Malaysia, the DMX Group aims to further expand its business in these countries. The DMX Group also aims to further expand its operations to Singapore, South Korea and Thailand during 2002. The Directors consider that the Group's business is well-complemented by the operations and the client base of the DMX Group, particularly in the PRC and certain other countries in Asia.

In addition of the synergetic effect given by the DMX Group, as a consequence of the Proposed Listing, the Group's interest in the DMX Group will be diluted and the Acquisition is also made with the intention to top up the Group's diluted interest in the DMX Group as a result of the Proposed Listing. According to the Directors, the Group's interests in DMX before and after the Proposed Listing is stated below:

	With the Acquisition	Without the Acquisition
Before the Proposed Listing	61.00%	51.00%
After the Proposed Listing	45.75%	38.25%

The Acquisition, therefore, is an important move by the Company to reduce the dilution effect of the Proposed Listing. We consider that the Acquisition is a reasonable step for the Company to top up its diluted interest in the DMX Group as a result of the Proposed Listing.

### II. TERMS OF THE ACQUISITION

#### 1. Basis of consideration

The Consideration for the Acquisition of HK\$28,080,000 is based on arm's length negotiations between the Purchaser and the Vendor.

The Consideration was agreed in contemplation of the Proposed Spin-off and the Proposed Listing and was meant to reflect the expected market capitalization of the Exchanged Listco Shares. The expected market capitalization of the Exchanged Listco Shares is calculated with reference to, among other factors, (i) the price earnings ratio of DMX based on the Management Accounts, which amounts to about 15.5 times; and (ii) the price earnings ratios of companies listed

## LETTER FROM KINGSTON

on the Hong Kong Stock Exchange, the NASDAQ and the Stock Exchange of Singapore Limited with business similar to the DMX Group (the “Comparables”).

We have considered the price earnings ratios of the Comparables as at 31 May 2002 for the purpose of ascertaining whether the price earnings ratio of the DMX Group of about 15.5 times as reflected by the Consideration is comparable to the market.

<b>Name of Comparables</b>	<b>Stock Exchange</b>	<b>Comparable Price (as at 31/5/2002)</b>	<b>Earnings/(loss) per share for the most recent financial year million</b>	<b>Year end date</b>	<b>P/E Ratios (as at 31/5/2002)</b>
Automated Systems Holdings Limited	Hong Kong	HK\$2.20	HK\$76.72	31 March 2002	8.30
Vanda Systems & Communications Holdings Limited	Hong Kong	HK\$0.90	HK\$(188.77)	31 March 2001	–
Computer and Technologies Holdings Limited	Hong Kong	HK\$2.15	HK\$(63.96)	31 December 2001	–
Datacraft Asia Limited	Singapore	US\$1.47	S\$77.75	30 June 2001	15.19
Frontline Technologies Corporation Limited	Singapore	S\$0.24	S\$10.71	31 March 2002	18.01
North 22 Technology Services Group Limited	Singapore	US\$0.085	US\$4.02	31 March 2002	15.95
AsiaInfo Holdings, Inc.	United States	US\$12.40	US\$11.70	31 December 2001	48.05

With reference to the Comparables, two of the Comparables do not provide a price earnings ratio as they were loss making during their respective financial years. The range of the price earnings ratio of the remaining Comparables is between 8.30 times to 48.05 times. The average price earnings ratio is about 21.10 times. Therefore, the price earnings ratio of the DMX Group as reflected by the Consideration is within the range of the Comparables and below their average.

In the view that the Consideration is determined having regard to (i) the price earnings ratio of DMX based on the Management Accounts; (ii) the price earnings ratios of the Comparables; and (iii) the price earnings ratio of the DMX Group as reflected by the Consideration is within the range of the Comparables and below their average, we concur with the Directors’ view that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned and the Acquisition is in the interest of the Company and the Independent Shareholders as a whole.

## LETTER FROM KINGSTON

### **2. Payment terms**

The Consideration will be satisfied by the issue and allotment of a total of 49,964,413 Consideration Shares at an issue price of HK\$0.562 per Consideration Share.

Having considered the benefit of the issue of the Consideration Shares on maintaining cash for working capital of the Group and not adversely affecting the financial position of the Group, we consider that the issue and allotment of the Consideration Shares is in the interest of the Company and the Independent Shareholders as a whole. However, Independent Shareholders should note that the issuance of the Consideration Shares will dilute their shareholding interests in the Company as set out in the paragraph headed “Dilution of Independent Shareholders’ interests of the Company” below.

### **3. Adjustment to the Consideration**

Pursuant to the Agreement, if the Actual Market Capitalisation is less than 95 per cent. of the Consideration, the Vendor shall pay to the Purchaser in cash a sum equal to the difference by which the Consideration exceeds the Actual Market Capitalisation, such payment to be made within 7 days after the receipt of a certificate in writing signed by the Purchaser certifying the said difference (the “Adjustment Arrangement”). The certificate itself shall be delivered within 7 days after the later of the issue of the prospectus of DMX in connection with the Proposed Listing or the final determination of the Actual IPO Price. The Guarantor has given a guarantee in relation to, among other things, the performance by the Vendor of its obligation to pay the Purchaser in the manner specified above.

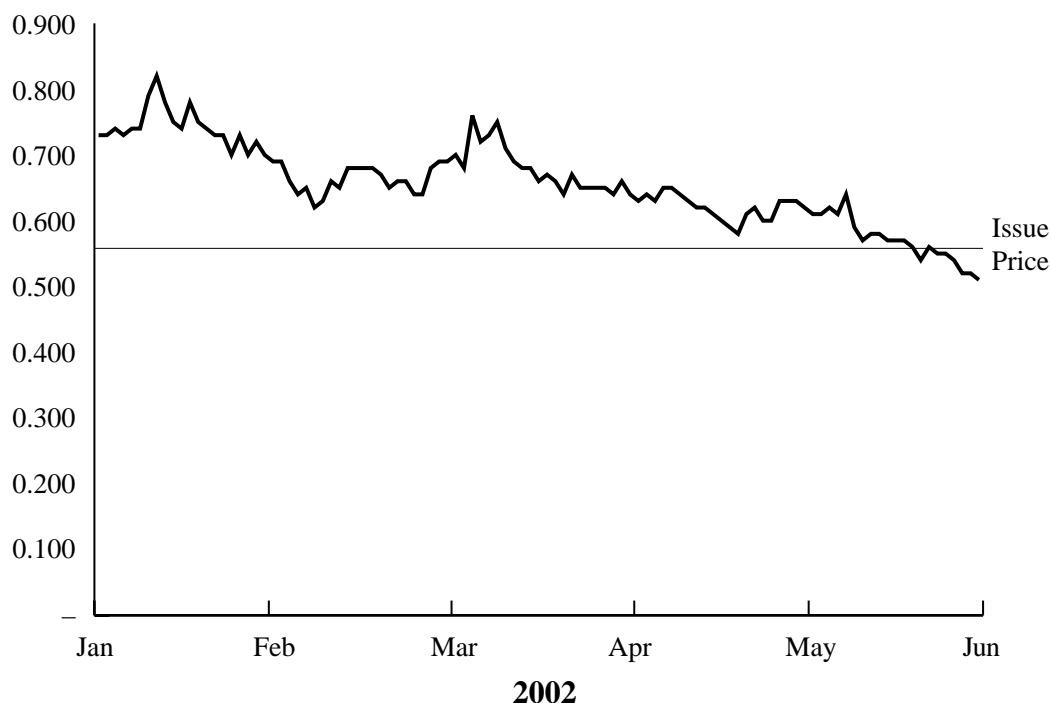
We consider that the Group’s investment value in DMX will be protected by the Adjustment Arrangement against the fluctuation of the stock market upon the completion of the Proposed Listing of the DMX Group.



## LETTER FROM KINGSTON

### 4. Issue Price

As mentioned above, the Consideration will be satisfied by the issue and allotment of the Consideration Shares at an issue price of HK\$0.562 per Consideration Share. The diagram below sets out the daily price performance of the Shares for the period commencing from 1 January 2002 to the Latest Practicable Date.



The Issue Price was determined by reference to the average closing price of the Shares as quoted on the Hong Kong Stock Exchange for the last 5 trading days immediately preceding the date of the Agreement.

The Issue Price represents:

- (i) a premium of about 0.4 per cent. over to the closing price of HK\$0.56 per Share as quoted on Hong Kong the Stock Exchange on 4 June 2002, being the date of the Agreement;
- (ii) a discount of about 1.2 per cent. to the average closing price of HK\$0.569 per Share as quoted on the Hong Kong Stock Exchange for the 10 trading days up to and including date of the Agreement;
- (iii) a premium of about 30.7 per cent. over to the closing price of HK\$0.43 as quoted on the Hong Kong Stock Exchange at the Latest Practicable Date; and
- (iv) a premium of about 19.11 per cent. over to the adjusted net tangible asset value per Share of about HK\$0.4719 based on the pro forma adjusted net tangible asset value per Share as adjusted for the Acquisition.

## LETTER FROM KINGSTON

We note that the Issue Price is approximately in line with the market trading price and represents a premium over to the net tangible asset value per Share as adjusted for the Acquisition. Having considered the above, we are of the view that the issue price is fair and reasonable insofar as the Company and the Independent Shareholders are concerned.

### III. ANTICIPATED FINANCIAL EFFECTS

#### 1. Net asset value

Based on the information provided by the Directors, the pro forma adjusted consolidated net asset value of the Group immediately before the Acquisition is about HK\$227,972,000 based on the audited consolidated net asset value as at 31 December 2001 as adjusted for the issue of Shares to the Vendor in March 2002 and the net proceeds of about HK\$30,000,000 from the placing of Shares in May 2002, representing a net asset value per Share of about HK\$0.5019 (based on a total of 452,769,231 Shares in issue as at the date of the Agreement). The pro forma adjusted consolidated net assets of the Group immediately after the completion of the Acquisition would be increased by about HK\$9,983,897, being the 10 per cent. interest in the share capital of DMX, representing an increase of about 4.38 per cent. over the Group's pro forma adjusted consolidated net assets immediately before the Acquisition, while the pro forma adjusted consolidated net asset value per Share would be about HK\$0.4719 (based on a total of 502,733,644 Shares in issue as enlarged by the Consideration Shares). The goodwill arisen from the Acquisition will be amortised by the Company which will be mentioned below.

#### 2. Earnings

Based by the 2001 annual report of the Group, for each of the two years ended 31 December 2001, the Group recorded a net loss of about HK\$88.8 million and a net profit of HK\$18.2 million respectively. Based on the audited accounts of the DMX Group, the net profit before and after taxation for the 12 months ended 30 June 2000 was about HK\$1.1 million. Based on the audited accounts of the DMX Group, the net profit after taxation for the 18 months ended 31 December 2001 was about HK\$11.1 million. Given the Group was loss making for the recent financial year, an increase in the interest the DMX Group (which is profit making) will therefore have a positive effect on the Group.

We have also been advised by the Directors that the goodwill amounted to about HK\$18,096,103 arising from the Acquisition will be amortised on a straight-line basis for 10 years, commencing from the date of completion of the Acquisition. The net asset value and the earnings of the Company will decrease correspondingly in the coming 10 years by about HK\$2 million per annum. We are of the view that (i) the impact of the amortisation on the Group's financial accounts is a consequence of the Group's accounting policy in amortising its investment; and (ii) the Group's operation will not be adversely affected by such amortisation which does not involve any net cash outflow for the Group.

#### 3. Gearing

Based on the 2001 annual report of the Group as at 31 December 2001, the Group had a gearing ratio of about 0.9760 times. Such ratio is arrived at based on the Group's total liabilities of about HK\$239,834,000 and the Group's net assets of about HK\$245,747,000 as at 31 December 2001. Upon completion of the Acquisition, assuming no further liabilities will be incurred by the Group, the gearing ratio of the Group will decrease to about 0.8759 times.

## LETTER FROM KINGSTON

### 4. Working capital

As the consideration of the Acquisition is satisfied by the Consideration Shares, the working capital of the Group will not be adversely affected.

### IV. DILUTION OF INDEPENDENT SHAREHOLDERS' INTEREST IN THE COMPANY

Set out below illustrates the shareholding of Chan Tze Ngon, Luk Chung Po, Tang Kin Hung, the Vendor and the public immediately prior to and upon the issue of the Consideration Shares:

	Existing shareholding	Shareholding after Completion
Chan Tze Ngon	18.25%	16.43%
Luk Chung Po	7.43%	6.69%
Tang Kin Hung	2.78%	2.51%
Vendor	0.00%	9.94%
Public	71.54%	64.43%
Total	<u>100%</u>	<u>100%</u>

The aggregate interest of the public in the Company, upon issuing the Consideration Shares, will be diluted from about 71.54 per cent. to about 64.43 per cent., representing a reduction of about 9.94 per cent..

We consider that the dilution of the Independent Shareholders' interest in the Company, which will be in the same proportion as the major Shareholders, as a consequence of the issue of the Consideration Shares to the Vendor is justifiable after taking into account (i) the reasons for the Acquisition as stated in the paragraph headed "Reasons for the Acquisition" in this letter; (ii) the Issue Price is approximately in line with the market trading price and represents a premium over to the adjusted net tangible asset value per Share; (iii) the issuance of the Consideration Shares avoids the need for bank financing which will adversely affect the Group's financial position; and (iv) the issuance of the Consideration Shares will allow the Company to retain its cash resources for future applications.

### RECOMMENDATION

Taking into account the factors and reasons as mentioned above, we are of the opinion that the Acquisition is in the interests of the Company and the Independent Shareholders as a whole and that the terms of the Agreement are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM in respect of the Agreement and the issue of Consideration Shares relating thereto.

Yours faithfully,  
For and on behalf of  
**Kingston Corporate Finance limited**  
**Hans Wong**  
*Director*

## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests of the Directors and chief executive of the Company in the equity and debt securities of the Company and any associated corporation (within the meaning of the SDI Ordinance) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which they were deemed or taken to have under Section 31 or Part I of the Schedule to the SDI Ordinance) or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein were as follows:

Name of Director	Personal Interests	Shares in the Company Number of Shares			Other Interests	Approximate Percentage holding
		Family Interests	Corporate Interests			
Mr Chan Tze Ngon	82,614,000	–	–	–	–	18.25%
Mr Luk Chung Po	33,630,000	–	–	–	–	7.43%
Mr Tang Kin Hung	12,600,000	–	–	–	–	2.78%

Save as disclosed herein, and other than the nominee shares in certain subsidiaries of the Company held in trust for the Group, none of the Directors and chief executive of the Company had any interests in the equity or debt securities of the Company or any associated corporation (within the meaning of the SDI Ordinance) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which they were deemed or taken to have under Section 31 or Part I of the Schedule to the SDI Ordinance) or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein as at the Latest Practicable Date.

Save as disclosed in the annual report of the Group for the year ended 31 December 2001, which is the latest published annual report of the Company available at the Latest Practicable Date and save as disclosed herein, none of the Directors and Kingston has any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2001.

Save for the Acquisition and as disclosed herein, as at the Latest Practicable Date, none of the Directors were materially interested in any contract or arrangement which is significant in relation to the business of the Group.

### 3. SUBSTANTIAL SHAREHOLDER

So far as the Directors and the chief executive of the Company are aware, there was no person (other than a Director or chief executive of the Company), who, as at the Latest Practicable Date, was interested directly or indirectly in 10 per cent. or more of the nominal value of any class of share capital carrying right to vote in all circumstances at general meetings of the Company or any of its substitutes or any option in respect of such capital.

### 4. SHARE CAPITAL

The authorized and issued share capital of the Company immediately following allotment and issue of the Consideration Shares will be as follows:

<i>Authorised:</i>		<i>HK\$</i>
1,000,000,000	Shares	100,000,000.00
<i>Issued and fully paid or credited as fully paid</i>		
452,769,231	Shares in issue as at the Latest Practicable Date	45,276,923.10
49,964,413	Shares to be allotted and issued upon Completion	4,996,441.30
<u>502,733,644</u>	Shares in issue	<u>50,273,364.40</u>

### 5. MATERIAL CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2001, being the date to which the latest published audited consolidated accounts of the Group were made up.

### 6. SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group, save for contracts expiring or determinable by the employer within one year without payment of compensation, other than statutory compensation.

### 7. CONSENT

Kingston has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they appear.

### 8. QUALIFICATION OF EXPERT

The following is the qualification of the expert who has given opinion or advice which are contained in this document:

<b>Name</b>	<b>Qualification</b>
Kingston	Investment adviser registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong)

**9. MISCELLANEOUS**

- (a) Kingston does not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (b) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (c) The branch share registrar of the Company in Hong Kong is Tengis Limited, 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong.
- (d) The company secretary of the Company is Tong Pui Wah, Lisa, a qualified accountant with the Association of Chartered Certified Accountants.

**10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at 8th Floor, Tianjin Building 167 Connaught Road West, Hong Kong during normal business hours on any week day (except public holidays) up to and including 10 July 2002:

- (a) the Agreement;
- (b) the letter from Kingston to the Independent Board Committee as set out on pages 11 to 17 of this circular;
- (c) the letter of recommendation from the Independent Board Committee as set out on page 10 of this circular;
- (d) the letter of consent from Kingston as referred to in the section headed “Consent” above;
- (e) the audited consolidated financial statements of the Group for the year ended 31 December 2001; and
- (f) the memorandum of association and bye-laws of the Company.

## NOTICE OF SGM



### TECHNOLOGY VENTURE HOLDINGS LIMITED

( 宏 昌 科 技 集 團 有 限 公 司 ) \*

*(incorporated in Bermuda with limited liability)*

NOTICE IS HEREBY GIVEN that a special general meeting (the “**SGM**”) of Technology Venture Holdings Limited (the “**Company**”) will be held at 8th Floor, Tianjin Building, 167 Connaught Road West, Hong Kong at 11 a.m. on 17 July 2002 for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as an ordinary resolution of the Company:

#### ORDINARY RESOLUTION

1. “**THAT:**

- (a) the sale and purchase agreement dated 4 June 2002 (the “**Agreement**”) and made between (i) Technology Venture Investments Limited as purchaser; (ii) Datamatics Limited as vendor (the “**Vendor**”); and (iii) Ho Kam Shing, Peter as guarantor in relation to the conditional sale and purchase of 1,488 shares of HK\$1.00 each in the capital of DMX Technologies (HK) Limited, a copy of the Agreement has been produced to this meeting marked “A” and signed by the Chairman of the meeting for the purpose of identification, and the transactions contemplated by the Agreement be and the same are hereby approved;
- (b) the allotment and issue of an aggregate of 49,964,413 shares (the “**Consideration Shares**”) of HK\$0.10 each in the capital of the Company (the “**Shares**”) to the Vendor at HK\$0.562 per Consideration Share, credited as fully paid, pursuant to the Agreement be and it is hereby approved and that the Consideration Shares shall, when allotted and issued, rank pari passu in all respects with all other Shares in issue at the date of such allotment and issue provided that the allotment and issue of the Consideration Shares shall be without prejudice to the authority conferred on the directors (the “**Directors**”) of the Company to allot and issue Shares by the shareholders of the Company at the annual general meeting held on 30 May 2002; and
- (c) the Directors be and they are hereby authorised to do all such acts and things and execute all such documents as they in their absolute discretion consider necessary or expedient to give effect to the Agreement and the implementation of all transactions contemplated thereunder.”

By Order of the Board  
**Chan Tze Ngon**  
*Chairman*

Hong Kong, 24 June 2002

\* *for identification purpose only*

## NOTICE OF SGM

***Registered office:***

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

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

8th Floor  
Tianjin Building  
167 Connaught Road West  
Hong Kong

***Notes:***

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in his stead in accordance with the Company's bye-laws. A proxy need not be a member of the Company.
2. A form of proxy for use at the SGM is enclosed herewith.
3. Where there are joint registered holders of any Share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such Share as if he was solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said person as present whose name stands first on the register in respect such Share shall alone be entitled to vote in respect thereof.
4. To be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed or a certified copy thereof must be deposited at Tengis Limited, the branch share registrars of the Company in Hong Kong at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong, not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof, as the case may be, and in default thereof the form of proxy and such power or authority shall not be treated as valid. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the SGM or any adjournment thereof, should he so wish.