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## **SEEC Media Group Limited**

*(Incorporated in the Cayman Islands with limited liability)*  
(Stock code: 205)

### **DISCLOSEABLE AND CONNECTED TRANSACTION**

### **ACQUISITION OF REMAINING 22% EFFECTIVE INTEREST IN THE CAIXUN GROUP**

**Financial adviser to the Company**



### **FIRST SHANGHAI CAPITAL LIMITED**

**Independent financial adviser to the Independent Board Committee and the Independent Shareholders**



### **VC CAPITAL LIMITED**

On 25 May 2006, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreements with the Vendor for the acquisitions of the (i) 14.3% interest in the registered capital of Hainan Caixun, which in turn holds 70% interest in each of Shenzhen Caixun and Beijing Caixun; and (ii) 40% interest in the registered capital of Caixun Century, which in turn holds 30% interest in each of Shenzhen Caixun and Beijing Caixun. The Consideration under the Agreements is RMB127,664,000 (approximately HK\$122,754,000), which will be settled by way of cash upon completion. Upon completion of the Acquisition, the Company will effectively acquire the remaining 22% minority interest in the Caixun Group thus making the Caixun Group to be effectively wholly-owned by the Company.

The Acquisition constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules. Given that the Vendor is a substantial shareholder of each of Hainan Caixun and Caixun Century, the entering into of the Agreements constitutes a connected transaction for the Company pursuant to Chapter 14A of the Listing Rules and will be conditional upon the approval by the Independent Shareholders at the EGM by way of poll. As certain ultimate beneficial shareholders of United Home, a substantial shareholder of the Company, are also the shareholders of the Vendor, United Home and its associates will abstain from voting on the Agreements at the EGM.

The Independent Board Committee has been appointed to advise the Independent Shareholders in respect of the Agreements and VC Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Agreements.

A circular containing information regarding, among other matters, the Agreements, the opinion of the Independent Board Committee and VC Capital Limited, and notice of the EGM will be despatched to the Shareholders as soon as practicable.

## **BACKGROUND**

Reference is made to the circular of the Company dated 23 August 2002 in relation to, among other things, major and connected transactions (as defined under the Listing Rules) relating to the acquisition by the Company of the entire issued share capital of Superfort, which have a 70% interest in the registered capital of Hainan Caixun and the Option, under which Superfort was granted the right to acquire an additional 15.7% equity interest in the registered capital of Hainan Caixun. After completion of such acquisition, Superfort and Hainan Caixun became subsidiaries of the Company. Hainan Caixun holds 70% interest in each of the registered capitals of Shenzhen Caixun and Beijing Caixun respectively. The exercise price of the Option was RMB1,413,000 (approximately HK\$1,359,000), which was fully settled by Superfort on 8 November 2002. For details of the Option, please refer to the circular of the Company dated 23 August 2002. On 25 May 2006, the Purchaser exercised the Option, as a result of which, the Purchaser increased its stake in Hainan Caixun to 85.7%.

Reference is also made to the circular of the Company dated 17 December 2003 in relation to, among other things, a major and connected transaction relating to the acquisition by the Company of a 60% interest in the registered capital of Caixun Century. After completion of such acquisition, Caixun Century became a subsidiary of the Company. Caixun Century holds 30% interest in each of the registered capitals of Shenzhen Caixun and Beijing Caixun respectively.

Following the aforesaid acquisitions and the exercise of the Option, the Company effectively holds 78% interest in the Caixun Group.

On 25 May 2006, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreements with the Vendor for the acquisitions of 40% and 14.3% interest in the registered capitals of Caixun Century and Hainan Caixun respectively. The Consideration under the Agreements is RMB127,664,000 (approximately HK\$122,754,000) and will be settled by way of cash through the Group's internal resources. The Consideration was determined after arm's length negotiations between the parties to the Agreements, and with reference to the unaudited net profits of the Caixun Group for the year ended 31 December 2005 multiplied by a price-earnings multiple of approximately 12 times. Having considered the growth potential of the Caixun Group and its leading position in the industry, the Directors (including the independent non-executive Directors) consider that the Consideration is fair and reasonable to the Shareholders.

Upon completion of the Acquisition, the Company will effectively acquire the remaining 22% minority interest in the Caixun Group held by the Vendor thus making the Caixun Group to be effectively wholly-owned by the Company.

### **THE CAIXUN CENTURY AGREEMENT**

Date	:	25 May 2006
Vendor	:	Shanghai SEEC
Purchaser	:	Superfort, a wholly-owned subsidiary of the Company
Interests to be acquired	:	40% interest in the registered capital of Caixun Century, which in turn holds 30% interest in each of Shenzhen Caixun and Beijing Caixun
Consideration	:	RMB69,603,000 (approximately HK\$66,926,000) in cash
Basis of the consideration	:	The consideration was determined after arm's length negotiations between the parties to the Caixun Century Agreement, and with reference to the unaudited net profits of the Caixun Group for the year ended 31 December 2005 multiplied by a price-earnings multiple of approximately 12 times.
Payment	:	The consideration shall be paid in cash by the Purchaser on the date of completion of the Caixun Century Agreement.
Conditions precedents	:	The Caixun Century Agreement is conditional upon, inter alia: <ul style="list-style-type: none"><li>(a) the Independent Shareholders having approved the transaction contemplated by the Caixun Century Agreement in the EGM;</li><li>(b) the warranties (as referred to in the Caixun Century Agreement) having remained true and accurate and not misleading at all times from the date of the Caixun Century Agreement up to and including the completion date of the Caixun Century Agreement;</li></ul>

- (c) the examination and approval authority having approved (i) the sale and purchase of interest in the registered capital of Caixun Century; and (ii) the transformation of Caixun Century from a Sino-foreign equity joint venture enterprise into a wholly foreign-owned enterprise;
- (d) all other necessary consents and approval being granted by third parties (including, governmental or official authorities) for the sale and purchase of interest in the registered capital of Caixun Century and the transformation of Caixun Century from a Sino-foreign equity joint venture enterprise into a wholly foreign-owned enterprise and other transactions contemplated in the Caixun Century Agreement ;
- (e) the Purchaser having received a PRC legal opinion from its lawyers as to PRC law in connection with the transactions contemplated by the Caixun Century Agreement in form and substance to the satisfaction of the Purchaser; and
- (f) all requirements imposed by the Stock Exchange under the Listing Rules in connection with the transactions contemplated by the Caixun Century Agreement having been fully complied with.

The Purchaser may waive all or any of the above conditions (b) and (e) at any time by notice in writing to the Vendor and condition (a), (c), (d) and (f) cannot be waived.

The Vendor shall use its best endeavours to procure the fulfillment of conditions (b) to (e) on or before 31 December 2006 (or such other date as the parties to the Caixun Century Agreement may agree in writing).

In the event that any of the above conditions shall not have been fulfilled or waived (as the case may be) on or before 31 December 2006, then the Vendor and the Purchaser shall not be bound to proceed with the Caixun Century Agreement and the Caixun Century Agreement shall cease to be of any effect save in respect of claims arising out of any antecedent breach thereof.

Completion : Subject to the above conditions, completion of the Caixun Century Agreement shall take place within five business days immediately after the conditions have been fulfilled.

#### **THE HAINAN CAIXUN AGREEMENT**

Date : 25 May 2006

Vendor : Shanghai SEEC

Purchaser : Superfort, a wholly-owned subsidiary of the Company

Interests to be acquired : 14.3% interest in the registered capital of Hainan Caixun, which in turn holds 70% interests in each of Shenzhen Caixun and Beijing Caixun

Consideration : RMB58,061,000 (approximately HK\$55,828,000) in cash

Basis of the consideration : The consideration was determined after arm's length negotiations between the parties to the Hainan Caixun Agreement, and with reference to the unaudited net profits of the Caixun Group for the year ended 31 December 2005 multiplied by a price-earnings multiple of approximately 12 times.

Payment : The consideration shall be paid in cash by the Purchaser on the date of completion of the Hainan Caixun Agreement.

Conditions precedents : The Hainan Caixun Agreement is conditional upon, inter alia:

- (a) the Independent Shareholders having approved the transaction contemplated by the Hainan Caixun Agreement in the EGM;

- (b) the warranties (as referred to in the Hainan Caixun Agreement) having remained true and accurate and not misleading at all times from the date of the Hainan Caixun Agreement up to and including the completion date of the Hainan Caixun Agreement;
- (c) the examination and approval authority having approved (i) the sale and purchase of interest in the registered capital of Hainan Caixun; and (ii) the transformation of Hainan Caixun from a Sino-foreign equity joint venture enterprise into a wholly foreign-owned enterprise;
- (d) all other necessary consents and approval being granted by third parties (including, governmental or official authorities) for the sale and purchase of interest in the registered capital of Hainan Caixun and the transformation of Hainan Caixun from a Sino-foreign equity joint venture enterprise into a wholly foreign-owned enterprise and other transactions contemplated Hainan Caixun Agreement ;
- (e) the Purchaser having received a PRC legal opinion from its lawyers as to PRC law in connection with the transactions contemplated by the Hainan Caixun Agreement in form and substance to the satisfaction of the Purchaser; and
- (f) all requirements imposed by the Stock Exchange under the Listing Rules in connection with the transactions contemplated by the Hainan Caixun Agreement having been fully complied with.

The Purchaser may waive all or any of the above conditions (b) and (e) at any time by notice in writing to the Vendor and condition (a), (c), (d) and (f) cannot be waived.

The Vendor shall use its best endeavours to procure the fulfillment of conditions (b) to (e) on or before 31 December 2006 (or such other date as the parties to the Hainan Caixun Agreement may agree in writing).

In the event that any of the above conditions shall not have been fulfilled or waived (as the case may be) on or before 31 December 2006, then the Vendor and the Purchaser shall not be bound to proceed with the Hainan Caixun Agreement and the Hainan Caixun Agreement shall cease to be of any effect save in respect of claims arising out of any antecedent breach thereof.

Completion : Subject to the above conditions, completion of the Hainan Agreement shall take place within five business days immediately after the conditions have been fulfilled.

#### **INFORMATION ON HAINAN CAIXUN, CAIXUN CENTURY AND THE CAIXUN GROUP**

The Caixun Group is one of the largest advertising companies in the PRC in the financial publication advertising sector. Both Hainan Caixun and Caixun Century are investment holding companies and they altogether hold 100% interest in the registered capital of each of Beijing Caixun and Shenzhen Caixun. Other than holding such interest, Hainan Caixun and Caixun Century have not conducted other business and do not have other material assets and liabilities.

Hainan Caixun is currently owned as to 70% by Superfort and as to 30% by Shanghai SEEC while Caixun Century is currently owned as to 60% by Superfort and as to 40% by Shanghai SEEC. On 25 May 2006, the Purchaser exercised the Option, as a result of which, the Purchaser increased its stake in Hainan Caixun to 85.7%.

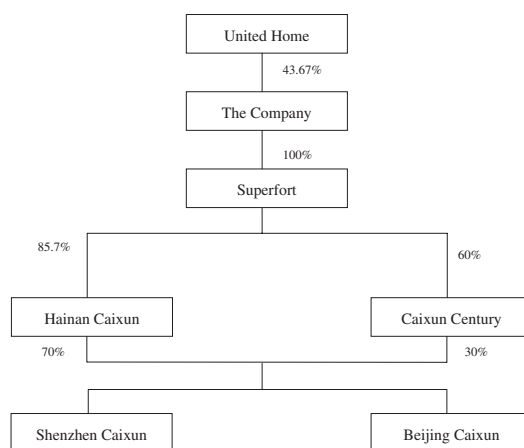
As at the date of this announcement, Beijing Caixun owns the advertising right to a portfolio of leading magazines in the PRC, namely Securities Market Weekly (The Integrated version and The Market version), Caijing Magazine, New Real Estate Magazine (New Real Estate and New House) and Successful Marketing. Shenzhen Caixun is also engaged in advertising business and assists Beijing Caixun in the sale of advertisements of magazines which Beijing Caixun has exclusive advertising publication rights.

As at 31 December 2005, the unaudited combined net asset value of the Caixun Group was approximately RMB100 million (or approximately HK\$96.2 million).

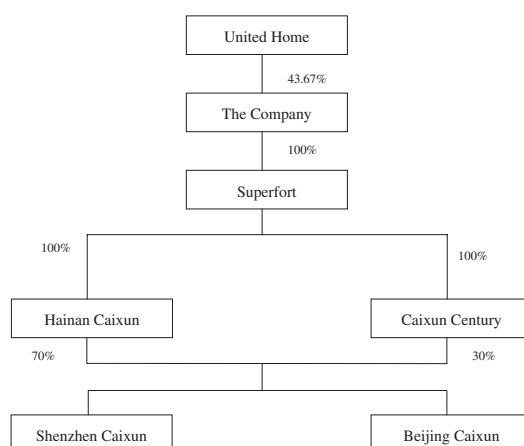
For the year ended 31 December 2004, the unaudited combined net profit before and after taxation of the Caixun Group amounted to approximately RMB23.1 million (or approximately HK\$22.2 million) and RMB17.2 million (or approximately HK\$16.5 million) respectively. For the year ended 31 December 2005, the unaudited combined net profit before and after taxation of the Caixun Group amounted to approximately RMB58.1 million (or approximately HK\$55.9 million) and RMB48.3 million (or approximately HK\$46.4 million) respectively. The improvement in the results of the Caixun Group was attributable to the increased sales and marketing effort during the year and the increase in advertising volume of and advertising fees charged by certain magazines of the Caixun Group.

## CORPORATE STRUCTURE

### Structure of the Group immediately upon exercise of the Option and before completion of the Agreements:



### Structure of the Group immediately after completion of the Agreements:



## REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENT

Following the acquisitions of 60% and 18% effective interest in the Caixun Group in 2002 and 2004 respectively, the Group positioned itself as an advertising operator in the PRC. The Directors believe that the proposed acquisition of remaining 22% effective interest in the Caixun Group could strengthen the Group's position to further benefit from the growth potential of the PRC advertising industry. In accordance with its WTO commitment, the PRC government has allowed foreign companies to wholly-own advertising agency companies in China since December 2005. The relaxation of foreign ownership in advertising agency companies may provide a favourable environment for the Group to further expand its advertising agency business in China. The Directors believe that the fast growing economy in the PRC, the entry into the WTO, the upcoming 2008 Olympics and 2010 World Expo will continue to create significant commercial opportunities. Moreover, the Directors believe that, with the Caixun Group's position as one of the largest advertising companies in the PRC in the financial publication advertising sector and its broad customer base as complemented by the Directors' substantial experience in the financial industry in the PRC, the Caixun Group will provide the Group with a valuable source of income. The Directors believe that the results of the Group can be improved through its increased stakes in the Caixun Group after the Acquisition.

## INFORMATION ON THE GROUP

The Group is principally engaged in the provision of advertising agency services in the PRC.

As at 31 December 2005, the audited consolidated net asset value of the Group was approximately HK\$268.8 million. For the year ended 31 December 2004, the turnover of the Group amounted to approximately HK\$77.0 million while its net profit was approximately HK\$56.3 million. For the year ended 31 December 2005, the Group recorded a turnover and a net profit of approximately HK\$101.5 million and HK\$39.5 million respectively.

## **GENERAL INFORMATION**

First Shanghai Capital Limited has been appointed as the financial adviser to the Company.

The Acquisition constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules. Given that the Vendor is a substantial shareholder of each of Hainan Caixun and Caixun Century, the entering into of the Agreements constitutes a connected transaction for the Company pursuant to Chapter 14A of the Listing Rules and will be conditional upon the approval by the Independent Shareholders at the EGM by way of poll. As certain ultimate beneficial shareholders of United Home, a substantial shareholder of the Company, are also the shareholders of the Vendor, United Home and its associates will abstain from voting on the approval of the Agreements at the EGM.

The Independent Board Committee has been appointed to advise the Independent Shareholders in respect of the terms of the Agreements and VC Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Agreements.

A circular containing information regarding, among other matters, the Agreements, the opinion of the Independent Board Committee and VC Capital Limited, and notice of the EGM will be despatched to the Shareholders as soon as practicable.

The Directors (including the independent non-executive Directors) believe that the terms of the Agreements are fair and reasonable and the Acquisition is in the interest of the Company and the Shareholders as a whole.

As at the date of this announcement, the executive Directors are Mr. WANG Boming (Chairman), Mr. ZHANG Zhifang, Mr. DAI Xiaojing, Mr. LI Shijie and Mr. LAU See Him, Louis. The independent non-executive Directors are Mr. FU Fengxiang, Mr. WANG Xiangfei, Mr. GE Ming and Mr. DING Yu Cheng.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Acquisition”	the acquisition under the Agreements
“Agreements”	the Caixun Century Agreement and the Hainan Caixun Agreement
“associates”	has the meaning ascribed thereto under the Listing Rules
“Beijing Caixun”	北京財訊廣告有限公司 (Beijing Caixun Advertising Co., Ltd.), a limited liability company established under the laws of the PRC on 7 March 2000, and is currently 70% owned by Hainan Caixun and 30% owned by Caixun Century
“Board”	the board of the Directors
“Caixun Century”	北京財訊世紀信息科技有限公司 (Beijing Caixun Century InfoTech Co., Ltd.), a Sino-foreign equity joint venture enterprise established under the laws of the PRC on 22 December 2003 and is currently 40% owned by Shanghai SEEC and 60% owned by Superfort
“Caixun Century Agreement”	the conditional agreement dated 25 May 2006 entered into between Shanghai SEEC as vendor and Superfort as purchaser in relation to the acquisition of the 40% interest in the registered capital of Caixun Century
“Caixun Group”	Beijing Caixun and Shenzhen Caixun
“Company”	SEEC Media Group Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Stock Exchange
“connected person”	has the meaning ascribed thereto under the Listing Rules

“Consideration”	the aggregate consideration under the Agreements shall be RMB127,664,000 (approximately HK\$122,754,000).
“Directors”	the directors of the Company (including, the independent non-executive directors of the Company)
“EGM”	an extraordinary general meeting of the Company to be convened to approve the Agreements
“Group”	the Company and its subsidiaries
“Hainan Caixun”	海南財訊信息傳播有限公司 (Hainan Caixun Informedia Co., Ltd.), a Sino-foreign equity joint venture enterprise established under the laws of the PRC on 18 April 2002, and is 70% owned by Superfort and 30% owned by Shanghai SEEC prior to exercise of the Option
“Hainan Caixun Agreement”	the conditional agreement dated 25 May 2006 entered into between Shanghai SEEC as vendor and Superfort as purchaser in relation to the acquisition of the 14.3% interest in the registered capital of Hainan Caixun
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	the independent board committee of the Company comprising Fu Fengxiang, Wang Xiangfei, Ge Ming and Ding Yu Cheng appointed by the Board for the purpose of advising the Independent Shareholders in respect of the terms of the Agreements
“Independent Shareholders”	Shareholders other than United Home and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Option”	the right of Superfort to acquire an additional 15.7% interest in the registered capital of Hainan Caixun
“PRC” or “China”	the People’s Republic of China excluding Hong Kong for the purpose of this announcement
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Shanghai SEEC” or the “Vendor”	上海聯辦投資發展有限公司 (Shanghai SEEC Investment and Development Co., Ltd.), a limited liability company established under the laws of the PRC, which is owned as to 59% by Shenyang Lianya, and as to 21% by 昆山中聯綜合開發公司 (Kunshan Zhonglian Comprehensive Development Company) and as to 20% by 海南聯歐投資管理有限公司 (Hainan Lianou Investment Management Company Limited). Both Kunshan Zhonglian Comprehensive Development Company and Hainan Lianou Investment Management Company Limited are independent from and not connected with the directors, chief executive, substantial shareholders of the Company or any of their respective associates
“Share(s)”	share(s) of par value of HK\$0.10 (each) in the issued share capital of the Company
“Shareholders”	holders of the Shares
“Shenyang Lianya”	瀋陽聯亞實業發展公司 (Shenyang Lianya Industrial Development Corporation), a collectively-owned enterprise in the PRC, 15 among 50 individuals who collectively manage such enterprise are also the ultimate individual shareholders of United Home

“Shenzhen Caixun”	深圳財訊廣告有限公司 (Shenzhen Caixun Advertising Co., Ltd.), a limited liability company established under the laws of the PRC on 27 April 2002, and is 70% owned by Hainan Caixun and 30% owned by Caixun Century
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules
“Superfort” or the “Purchaser”	Superfort Management Corp., a company incorporated in the British Virgin Islands with limited liability on 2 January 2001 and a wholly-owned subsidiary of the Company
“United Home”	United Home Limited, a company incorporated in the British Virgin Islands with limited liability, which is the substantial shareholder of the Company holding approximately 43.67% of the entire issued share capital of the Company and is beneficially owned by 15 individuals in equal proportions, four of whom are Directors (namely Wang Boming, Zhang Zhifang, Li Shijie and Dai Xiaojing)
“US\$” or “US dollar(s)”	the United States dollar(s), the lawful currency of the United States of America
“WTO”	the World Trade Organisation
“%”	per cent.

*For the purpose of this announcement, conversion of Renminbi into Hong Kong dollars is calculated at the approximate exchange rate of RMB 1.04 to HK\$1.00, for the purpose of illustration only and does not constitute a representation that any amounts have been, could have been, or may be, exchanged at this or any other rate.*

By order of the Board  
**SEEC Media Group Limited**  
**Wang Boming**  
*Chairman*

Hong Kong, 25 May 2006