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# **NEXTmedia**

NEXT MEDIA LIMITED

(Incorporated in Hong Kong with limited liability)

VERY SUBSTANTIAL ACQUISITION

AND

CONNECTED TRANSACTION

Further to the exclusivity agreement entered into between the Company and ADL on 22 March 2000, the Directors are pleased to announce that on 2 June 2000, the Company entered into the Acquisition Agreement with ADL to acquire the entire issued share capital of Apple Daily Online for a consideration of HK\$500 million. The principal business of Apple Daily Online is the operation of the Apple Websites. ADL is owned as to approximately 99.77% by Mr. Lai and as to approximately 0.23% by ADL's employees.

The consideration represents approximately HK\$102 per average daily page view of the Apple Websites in April 2000. The Directors believe that the consideration represents a substantial discount to the current market value of the Apple Websites and that the Acquisition is therefore beneficial to the Company and its shareholders.

The consideration will be satisfied by the issue of 362,318,840 Consideration Shares at an issue price of HK\$1.38 per Share. The Consideration Shares represent approximately 12.6% of the existing issued share capital of the Company and approximately 11.2% of the enlarged issued share capital of the Company. ADL intends to direct that approximately 64% of the Consideration Shares will be issued to it and approximately 36% to employees of ADL. The issue price of the Consideration Shares

represents the average closing price per Share for the 15 trading days up to and including 30 May 2000, and represents a premium of approximately 45.3% and approximately 10.4% to the closing price of the Shares of HK\$0.95 and HK\$1.25 as quoted on the Stock Exchange on 30 May 2000 and on 2 June 2000, being the last trading day preceding the date of this announcement respectively. The Consideration Shares may not be sold for a period of six months after the date of their issue. Following Completion, the aggregate interests of Mr. Lai and his associates in the Company for the purposes of the SDI Ordinance will increase from approximately 55.4% to approximately 56.4%.

The Acquisition is a very substantial acquisition for the Company under the Listing Rules. The Stock Exchange has indicated that the Company will not be treated as a new applicant for listing pursuant to the Listing Rules. As Mr. Lai is a director and the controlling shareholder of both the Company and ADL, the Acquisition is a connected transaction for the Company under the Listing Rules and is conditional upon approval by the Independent Shareholders. Mr. Lai and his associates, being connected persons of the Company, will abstain from voting on the ordinary resolution to be proposed at the EGM to be held to approve the Acquisition and the issue of the Consideration Shares. Four of the other Directors are employees of ADL and will receive Consideration Shares. They, being connected persons of the Company who are interested in the Acquisition and the issue of the Consideration Shares, and their respective associates, will abstain from voting on the ordinary resolution to approve the Acquisition and the issue of the Consideration Shares. Those of ADL's employees who are also shareholders of the Company and will receive Consideration Shares will undertake to the Company that they and their respective associates will abstain from voting on the resolution to approve the Acquisition and the issue of the Consideration Shares.

Completion is also subject to the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Consideration Shares.

An independent board committee of the Company will be established to consider the Acquisition and to advise the Independent Shareholders. The Company will appoint an independent financial adviser to advise the independent board committee regarding the Acquisition.

A circular containing, among other things, details of the Acquisition, an accountants' report on Apple Daily Online, letters from the independent board committee of the Company and the independent financial adviser and the notice of the

EGM will be despatched to the shareholders of the Company as soon as practicable.

## THE ACQUISITION AGREEMENT DATED 2 June 2000

### Parties

Seller : ADL. Mr. Lai, the controlling shareholder and a director of ADL, is also the chairman and the controlling shareholder of the Company.

Purchaser : the Company

### Assets to be acquired

The entire issued share capital of Apple Daily Online, the principal business of which is the operation of the Apple Websites. At Completion, ADL will enter into a Licence Agreement with Apple Daily Online giving Apple Daily Online an exclusive royalty-free licence to publish Apple Daily on internet and otherwise electronically and an exclusive royalty-free licence to associated trade marks and copyright on the internet. ADL will also assign the related domain names to Apple Daily Online at Completion.

### Consideration:

HK\$500 million, which represents approximately HK\$102 per average daily page view of the Apple Websites in April 2000. Although no independent valuation will be done of the Apple Websites, based on the recent market value of the average page view of websites in Hong Kong and overseas ranging from approximately HK\$360 to HK\$1,740, the Directors believe that the consideration represents a substantial discount to the current market value of the Apple Websites, and that the Acquisition is therefore beneficial to the Company and its shareholders.

The consideration will be satisfied by the issue of the Consideration Shares. The Consideration Shares represent approximately 12.6% of the existing issued share capital of the Company and approximately 11.2% of the enlarged issued share capital of the Company. ADL intends to direct that approximately 64% of the Consideration Shares will be issued to it and approximately 36% to employees of ADL as a reward

for their contributions to the success of the Apple Websites. Four of those employees of ADL, namely Mr. Ho Kwok Fai, Morris, Mr. Chow On Kiu, Andrew, Mr. Ting Ka Yu, Stephen and Mr. Kok Hon Kay, Peter, are Directors and hence connected persons of the Company. Those four Directors and Mr. Lai and their respective associates will abstain from voting on the ordinary resolution to be proposed at the EGM to approve the Acquisition and the issue of the Consideration Shares. Those of ADL's employees who are shareholders of the Company and will receive the Consideration Shares will undertake to the Company that they and their respective associates will also abstain from voting on such resolution. The Consideration Shares may not be sold for a period of six months after the date of their issue.

The Consideration Shares will be issued at an issue price of HK\$1.38 per Share, which represents the average closing price of the Shares for the 15 trading days up to and including 30 May 2000, and a premium of approximately 45.3% and approximately 10.4% to the closing price of the Shares of HK\$0.95 and HK\$1.25 as quoted on the Stock Exchange on 30 May 2000 and on 2 June 2000, being the last trading day preceding the date of this announcement respectively.

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

#### Conditions

Completion of the Acquisition including the issue of the Consideration Shares is conditional upon approval by the Independent Shareholders. It is also subject to the Stock Exchange granting listing of and permission to deal in the Consideration Shares. It is expected that Completion will take place on or before 31 July 2000.

## INFORMATION ON APPLE DAILY ONLINE

#### Business

Apple Daily Online was incorporated on 7 April 1999 and commenced business on 5 October 1999. The existing directors of Apple Daily Online are Mr. Lai, the chairman and the controlling shareholder of the Company, and Mr. Kok Hon Kay, Peter, also a Director. The principal activities of Apple Daily Online are the development and operation of internet and related businesses under the Apple Websites with domain names shown as follows:

appledaily.com.hk applekids.com.hk appleweather.com  
applejob.com applejob.com.hk appleteens.com.hk  
appleshwbiz.com appleshwbiz.com.hk applenews.com.hk  
appleweather.com.hk applenet.com.hk applesport.com.hk  
jimmylai.com.hk applezoo.com.hk tungchiao.com.hk  
tungchiao.com appleplant.com.hk applepeople.com.hk  
appletech.com.hk applefinance.com.hk applebook.com.hk

Since the launch of appledaily.com.hk in January 1997, it has become one of the most popular websites in Hong Kong. The average daily page view of the Apple Websites amounted to approximately 4.9 million in April 2000 with approximately 60% of their viewers being outside Hong Kong.

The website appledaily.com.hk started as an electronic edition of Apple Daily, a leading popular Chinese language newspaper in Hong Kong. In the next few months, a number of real time news sites, including general news updates, financial, entertainment, sports, technology and health news, are intended to be made available at appledaily.com.hk.

#### Financial information

Based on the audited financial statements of Apple Daily Online for the period from its date of incorporation (7 April 1999) to 31 March 2000, Apple Daily Online recorded a consolidated loss of approximately HK\$11.48 million for that period and had consolidated net liabilities of approximately HK\$11.48 million as at 31 March 2000. The consolidated net liabilities of Apple Daily Online include a shareholder's loan due to ADL of approximately HK\$14.85 million. ADL has undertaken in writing to Apple Daily Online and the Company that it will waive any claim which it may have against Apple Daily Online and/or the Company arising from or in connection with any amount due from Apple Daily Online to ADL as at the date of Completion with effect from that date. On this basis, the pro forma net asset value of Apple Daily Online would amount to approximately HK\$3.37 million.

#### Directors of Apple Daily Online

Apple Daily Online currently has two directors, namely Mr. Lai and Mr. Kok Hon Kay, Peter, who are also Directors. The Company will nominate two additional directors to the board of Apple Daily Online upon Completion.

## Litigation

Neither the Company nor ADL is aware of any litigation or claims of material importance pending or threatened against Apple Daily Online or any of its subsidiaries. Pursuant to the Licence Agreement, ADL will agree to indemnify Apple Daily Online from and against all losses suffered by Apple Daily Online in connection with any claim that any part of the content of Apple Daily published and to be published on the Apple Websites contravenes any applicable laws except where such claim arises solely as a result of any modification made by Apple Daily Online to such part of the content, in which case Apple Daily Online shall indemnify ADL from and against all losses suffered by ADL in connection with such claim. Pursuant to the Licence Agreement, ADL will also agree to indemnify Apple Daily Online from and against all losses suffered by Apple Daily Online in connection with any claim that any part of the content published or displayed on any of the Apple Websites before the date of the Completion, whether or not related to the content of Apple Daily, contravenes any applicable laws.

## REASONS FOR THE ACQUISITION

The Group is principally engaged in the printing and publication of magazines, the operation of websites and the provision of other internet-related services. The Directors consider that the Acquisition represents an opportunity to combine two popular portals in Hong Kong, namely [appledaily.com.hk](http://appledaily.com.hk) and [nextmedia.com](http://nextmedia.com). The average daily page views of the Apple Websites and the Nextmedia Websites were approximately 4.9 million and approximately 1.7 million respectively in April 2000. The Acquisition is expected to facilitate the combination of the media, entertainment and news content of the Nextmedia Websites with that of the Apple Websites. The Directors consider that the Apple Websites can complement the Nextmedia Websites.

## SHAREHOLDING STRUCTURE

Following Completion, the aggregate interests of Mr. Lai and his associates (including ADL) in the Company for the purposes of the SDI Ordinance will increase from approximately 55.4% to approximately 56.4%, those of the other Directors and their respective associates will amount to approximately 5.1%. The public shareholding will be approximately 38.5%.

## GENERAL

The Acquisition is a very substantial acquisition for the Company under the Listing Rules by virtue of the fact that the consideration for the Acquisition exceeds 100% of the consolidated net asset value of the Group. The Stock Exchange has indicated that the Company will not be treated as a new applicant for listing pursuant to the Listing Rules. As Mr. Lai is a director and the controlling shareholder of both the Company and ADL, the Acquisition also constitutes a connected transaction for the Company under the Listing Rules and is conditional upon approval by the Independent Shareholders. An independent board committee of the Company will be established to consider the Acquisition and to advise the Independent Shareholders. An independent financial adviser will also be appointed to advise the independent board committee regarding the Acquisition.

Completion is also subject to the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Consideration Shares.

The EGM will be convened as soon as practicable. An ordinary resolution will be proposed at the EGM to approve the Acquisition and the issue of the Consideration Shares. Mr. Lai, Mr. Ho Kwok Fai, Morris, Mr. Chow On Kiu, Andrew, Mr. Ting Ka Yu, Stephen and Mr Kok Hon Kay, Peter and their respective associates, being connected persons of the Company in relation to the Acquisition, and those employees of ADL, who are also shareholders of the Company and will receive Consideration Shares, and their respective associates will abstain from voting on such ordinary resolution at the EGM.

A circular containing, among other things, details of the Acquisition, an accountants' report on Apple Daily Online, letters from the independent board committee of the Company and the independent financial adviser and the notice of the EGM will be despatched to the shareholders of the Company as soon as practicable.

## SHARE PRICE MOVEMENT

The following statement is made at the request of the Stock Exchange.

The Directors have noted the recent increase in the price and trading volume of the

Shares and wish to state that they are not aware of any reasons for such increase.

The Directors also confirm that, save for the Acquisition, there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under paragraph 3 of the Listing Agreement, nor are the Directors aware of any matter discloseable under the general obligation imposed by paragraph 2 of the Listing Agreement, which is or may be of a price-sensitive nature.

This statement is made by order of the board of Directors (save for Mr. Hsu Chien-kuo, Gerald, an independent non-executive Director, who is not in Hong Kong) who individually and jointly accept responsibility for its accuracy.

By order of the Board  
Janis Lee Yuen Mei  
Company Secretary

Hong Kong, 3 June 2000

## Definitions

"Acquisition"	the acquisition of the entire issued share capital of Apple Daily Online
"Acquisition Agreement"	the agreement entered into between the Company and ADL on 2 June 2000 for the Acquisition, the assignment of the domain names of the Apple Websites and the licences to the use of trade marks and copyright associated with the Apple Websites
"associates"	has the meaning as ascribed to it under the Listing Rules
"ADL"	Apple Daily Limited, a company owned as to 99.77% by Mr. Lai
"Apple Daily"	Apple Daily Newspaper
"Apple Daily Online"	Apple Daily Online Limited, a wholly owned subsidiary of ADL

"Apple Websites"	all the websites currently operated and owned by Apple Daily Online, including the website with the domain name appledaily.com.hk
"Company"	Next Media Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
"Completion"	completion of the Acquisition
"Consideration Shares"	362,318,840 new Shares to be issued at HK\$1.38 per Share under the Acquisition Agreement in satisfaction of the consideration for the entire share capital of Apple Daily Online
"Directors"	directors of the Company
"EGM"	the extraordinary general meeting of the Company to be convened to consider the Acquisition
"Group"	the Company and its subsidiaries
"Independent Shareholders"	the shareholders of the Company, other than Mr. Lai and his associates
"Licence Agreement"	an agreement to be entered into between ADL and Apple Daily Online at Completion for the licenses to the use of trade marks and copyright associated with the Apple Websites
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Lai"	Mr. Lai Chee Ying, Jimmy, the chairman and controlling shareholder of the Company
"Nextmedia Websites"	all the websites currently operated and

owned by the Group including the websites with the domain name nextmedia.com

"SDI Ordinance"

the Securities (Disclosure of Interests) Ordinance

"Stock Exchange"

The Stock Exchange of Hong Kong Limited

"Shares"

ordinary shares of HK\$0.20 each in the share capital of the Company

"HK\$"

Hong Kong dollars

Please also refer to the published version of this announcement in the South China Morning Post on 05-06-2000.