

Next Media Limited

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NEXT MEDIA LIMITED

(Incorporated in Hong Kong with limited liability)

DESPATCH OF CIRCULAR

The circular relating to the acquisition by the Company of the entire issued share capital of Apple Daily Online Limited was despatched on 15 July 2000.

As directed by Apple Daily Limited, a total of 181,159,420 Consideration Shares will be issued to its employees with the remaining balance of 181,159,420 Consideration Shares will be issued to it.

The total number of website staff streamlined by the Group and Apple Daily Online Limited amounted to 62 and 36 respectively.

Reference is made to the announcement made by the board of directors of Next Media Limited (the "Company") on 3 June 2000 (the "Announcement") in relation to the acquisition (the "Acquisition") of the entire issued share capital of Apple Daily Online Limited ("Apple Daily Online") from Apple Daily Limited ("ADL"). Terms defined in the Announcement shall have the same meanings when used herein unless the context otherwise requires.

The Despatch of the Circular

The circular (the "Circular") in relation to the Acquisition together with the notice of EGM was despatched to the Shareholders on 15 July 2000. The EGM will be convened on Monday 31 July 2000 at which ordinary resolutions will be proposed (i) to approve the Acquisition, (ii) to approve the allotment of the Consideration Shares and (iii) to increase the authorised share capital of the Company from HK\$680 million to HK\$900 million by the creation of 1,100,000,000 Shares.

The Acquisition is subject to, inter alia, approval by the Independent Shareholders at the EGM.

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Four directors of the Company namely Mr. Ho Kwok Fai, Morris, Mr. Chow On Kiu, Andrew, Mr. Ting Ka Yu, Stephen, and Mr. Kok Hon Kay, Peter, are also employees of ADL and will receive part of the Consideration Shares. Those four Directors, Mr. Lai and those employees of ADL who are shareholders of the Company and will receive part of the Consideration Shares, together with all of their respective associates will abstain from voting on the resolutions to be proposed at the EGM to approve the Acquisition and the issue of the Consideration Shares. Subject to the fulfillment of the conditions above, the Completion is expected to take place on 31 July 2000.

changes in The Allocation of consideration shares

As stated in the Announcement, ADL intended to direct the Company to issue approximately 64% of the Consideration Shares to it and approximately 36% to its employees. Having further considered its employees' contribution to the success of the Apple Websites and Apple Daily, ADL has directed the Company to issue 181,159,420 new Shares (representing 50% of the Consideration Shares) to its employees and the remaining 181,159,420 new Shares (representing 50% of the Consideration Shares) to ADL.

Clarification on press articles

In response to various articles appeared in the press recently relating to 90 million of Consideration Shares will be issued to employees of ADL and the number of website staff to be streamlined by the Group and Apple Daily Online amounted to 300, the Directors wish to clarify that: (i) the total number of Consideration Shares to be issued to ADL's employees should be 181,159,420 as mentioned above and; (ii) that the number of website staff streamlined by the Group and Apple Daily Online should be 62 and 36 respectively. The amount available for redeployment under the Group's and Apple Daily Online's streamlining would amount to approximately HK\$14.3 million and approximately HK\$12.1 million per annum respectively. Apart from this, the Company has no other specific plan on streamlining at this stage.

Shareholding Structure

The shareholding interests (based on disclosures made for the purposes of the SDI Ordinance) of each of the Directors and the public shareholding in the Company as at 10 July 2000 (the "Latest Practicable Date"), being the latest practicable date prior to the printing of the Circular for ascertaining certain information contained therein, and immediately after Completion are as follows:

Percentage

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Name of Director	Number of Shares	Percentage	Number of Shares	shareholding
	as at the Latest Practicable Date	as at the Latest Practicable Date	immediately after Completion	immediately after Completion
Mr. Lai	1,588,509,703	55.41	1,769,669,123	54.80
Mr. Yeung Wai Hong	76,400,528	2.66	76,400,528	2.37
Mr. Chow On Kiu, Andrew	15,000,000	0.52	35,760,675	1.11
Mr. Ho Kwok Fai, Morris	45,590,336	1.59	57,658,992	1.79
Mr. Ting Ka Yu, Stephen	9,000,000	0.31	10,225,127	0.32
Mr. Yeh V-nee	130,000	0.005	130,000	0.004
Mr. Kok Hon Kay, Peter		4,595,637	0.14	
Sub-total	1,734,630,567	60.50	1,954,440,082	60.53
Public	1,132,317,271	39.50	1,274,826,596	39.47
Total	2,866,947,838	100	3,229,266,678	100

Pro forma statement of adjusted Consolidated net tangible assets of the enlarged Group

The following pro forma financial information of the Enlarged Group, which has been included in the Circular, has not been previously disclosed to the public and is reproduced as follows:

HK\$'000

Consolidated net assets of the Group as at 31 March 2000	235,249
Less: Intangible assets (Note 1)	(210,000)
Unaudited consolidated net loss of the Group for the two months ended 31 May 2000 (Note 2)	(15,932)
Exercise of the rights to convert the convertible notes into new Shares (Note 3)	105,000

Pro forma unaudited adjusted consolidated net tangible assets of the Group before Completion
114,317

Net liabilities of Apple Daily Online as at 31 March 2000	(11,481)
Unaudited net loss of Apple Daily Online for the two months ended 31 May 2000 (Note 4)	(5,343)
Long term borrowings to be waived by ADL upon Completion (Note 5)	30,503

Pro forma unaudited adjusted net tangible assets of Apple Daily Online 13,679

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Estimated expenses relating to the Acquisition (4,000)

Pro forma unaudited adjusted consolidated net tangible assets of the Enlarged Group upon Completion 123,996

Pro forma unaudited adjusted consolidated net tangible asset value per Share before Completion (Note 6) HK\$0.039

Pro forma unaudited adjusted consolidated net tangible asset value per Share upon Completion (Note 7) HK\$0.038

Notes:

1. The intangible assets represent the mastheads of the Easy Finder Magazine.
2. The unaudited consolidated net loss of the Group for the two months ended 31 May 2000 is based on the unaudited management accounts of the Group for the same period.
3. On 8 May 2000, Next Media International Holdings Limited exercised its rights to convert all the convertible notes amounting to HK\$105,000,000 into 233,333,333 Shares at HK\$0.45 per Share.
4. The unaudited net loss of Apple Daily Online for the two months ended 31 May 2000 is based on the unaudited management accounts of Apple Daily Online for the same period.
5. This represents the amount due from Apple Daily Online to ADL as at 31 May 2000. ADL has agreed to waive the long term loans granted to Apple Daily Online upon Completion.
6. Pro forma unaudited adjusted consolidated net tangible asset value per Share before Completion was calculated on the basis of 2,866,947,838 Shares in issue as at the Latest Practicable Date.
7. Pro forma unaudited adjusted consolidated net tangible asset value per Share upon Completion

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was calculated on the basis of 2,866,947,838 Shares, being the number of Shares in issue as at the Latest Practicable Date, plus the 362,318,840 Consideration Shares to be issued pursuant to the Acquisition Agreement.

By order of the Board
NEXT MEDIA LIMITED
Janis Lee Yuen Mei
Company Secretary

Hong Kong, 15 July 2000

Please also refer to the published version of this announcement in the SCMP dated 15/7/2000.