

NEXT MEDIA LIMITED

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NEXT MEDIA LIMITED

(Incorporated in Hong Kong with limited liability)

DISCLOSEABLE TRANSACTION

TERMINATION OF SHAREHOLDERS' AGREEMENT

On 15 December 2000, Next Media, NextV, Igloo, GoHome and the other existing shareholders of Igloo entered into the Termination Agreement pursuant to which each of the parties thereto has agreed to terminate the Shareholders' Agreement, the principal terms of which were disclosed in the announcement made by Next Media dated 9 March 2000 and the circular issued by Next Media dated 29 March 2000. After taking into account the share of loss of Igloo in the amount of HK\$7,012,876 by Next Media during the six-month period ended 30 September 2000, the Group will incur a further loss of approximately HK\$38,400,000 as a result of the termination of the Shareholders' Agreement.

Based on advice in connection with the entire transaction available to the Directors at the time when the Shareholders' Agreement was entered into, the Directors took the view that the option as set out under paragraph (b) (ii) below in connection with the Shareholders' Agreement was immaterial in the context of the transaction as a whole and was therefore not disclosed in its announcement dated 9 March 2000 and its circular dated 29 March 2000. The Stock Exchange is looking into the omission and reserves the right to pursue this matter further.

The termination of the Shareholders' Agreement constitutes a discloseable transaction under the Listing Rules. A circular containing details of such termination will be despatched to the shareholders of Next Media as soon as practicable.

Reference is made to the announcement made by Next Media dated 9 March 2000 and the circular issued by Next Media dated 29 March 2000 in relation to, among other things, the entering into of the Shareholders' Agreement. Under the Shareholders' Agreement, among other things:

NEXT MEDIA LIMITED

- (a) NextV shall, on the date of execution of the Shareholders' Agreement, subscribe for 40 per cent. interest in Igloo at a consideration of US\$4,000,000 (approximately HK\$31,000,000) of which US\$100,000 (approximately HK\$778,000) shall be paid in cash by NextV and US\$3,900,000 (approximately HK\$30,342,000) shall be settled by way of the provision of services of advertising and content by Next Media ("Stage I");
- (b) within 120 days following completion of Stage I, i.e. by 6 July 2000, NextV shall purchase an additional 9.99 per cent. in Igloo at a consideration comprising:
 - (i) cash in the aggregate amount of approximately US\$1,000,000 (approximately HK\$7,780,000); and
 - (ii) in relation to each share in Igloo, an option to subscribe for shares in a company which was as at the date of the Shareholders' Agreement being established by Next Media with the intention to hold certain online assets of the Group ("Stage II").

In the circular issued by Next Media dated 29 March 2000, it was only stated that under Stage II, among other things, NextV will purchase in cash from certain shareholders of Igloo a minimum additional interest of approximately 9.99 per cent. of the then issued share capital of Igloo based on the same valuation of GoHome as implied by the subscription under Stage I; and

- (c) upon the occurrence of an initial public offering of the company as referred to in paragraph (b) (ii) above, each of the then shareholders of Igloo except NextV shall transfer his shareholding in Igloo for shares in such company on terms to be determined by the then prevailing market conditions. If such initial public offering does not occur by 30 June 2001, each of the then shareholders of Igloo except NextV shall transfer his shareholding in Igloo for new shares of Next Media on terms to be determined by then prevailing market conditions ("Stage III").

Based on advice in connection with the entire transaction available to the Directors at that time, the Directors took the view that the granting of the option as set out in paragraph (b) (ii) above was fairly remote at the time when the Shareholders' Agreement was entered into and that the aforesaid option was therefore, at the relevant time, immaterial in the context of the transaction as a whole. Accordingly, such option was not disclosed in its announcement dated 9 March 2000 and its circular dated 29 March 2000. The Stock Exchange is looking into this omission and reserves the right to pursue this matter further.

Stage I was completed on 8 March 2000 and the Group currently has a 40 per cent. interest in the issued share capital of Igloo. As the parties to the Shareholders' Agreement have been negotiating

NEXT MEDIA LIMITED

an amendment to the Shareholders' Agreement, neither Stage II nor Stage III was able to be completed as at the date hereof. As at 30 November 2000, pursuant to the Shareholders' Agreement, NextV has contributed to Igloo US\$100,000 (approximately HK\$778,000) in cash and Next Media has provided to Igloo approximately HK\$13,500,000 worth of printed advertising. As at the date hereof, NextV has extended to Igloo and GoHome loans in the aggregate amount of US\$800,000 (approximately HK\$6,224,000) in three phases in April, August and November 2000 respectively at an interest rate of prime rate plus 1 per cent accrued on a quarterly basis for a term of two years commencing from the respective dates of the loans.

On 15 December 2000, Next Media, NextV, Igloo, GoHome and the other existing shareholders of Igloo entered into the Termination Agreement pursuant to which each of the parties thereto has agreed to terminate the Shareholders' Agreement. Within one week after the execution of the Termination Agreement, Next Media shall pay GoHome and the existing shareholders of Igloo excluding NextV an aggregate amount of US\$3,000,000 (approximately HK\$23,340,000) in cash as consideration for their entering into of the Termination Agreement; and thereupon, the Shareholders' Agreement shall be terminated. If such payment is not made in full by 30 December 2000, the Termination Agreement shall itself terminate and the Shareholders' Agreement shall remain in full force and effect.

Upon termination of the Shareholders' Agreement:

- (a) NextV, as part of the arrangement as contained in the Termination Agreement, shall transfer all its shares in Igloo immediately following such termination, amounting to 40 per cent. of the issued share capital of Igloo, to Mr. Patrick Man Ho Lam, an existing shareholder of Igloo interested in approximately 15.6 per cent. of the issued share capital of Igloo;
- (b) all liabilities due or already incurred between the parties to the Termination Agreement arising from dealings related to Igloo or GoHome shall be waived, including:
 - (i) loans in the aggregate amount of US\$800,000 (approximately HK\$6,224,000) extended by NextV to Igloo and GoHome, together with accrued interest;
 - (ii) NextV's liability to subscribe for 9.99 per cent. of the issued share capital of Igloo under Stage II as set out in the Shareholders' Agreement; and
 - (iii) any outstanding consideration for subscription of shares in Igloo by NextV under Stage I and pursuant to a subscription agreement dated 8 March 2000 entered into between NextV and Igloo;

NEXT MEDIA LIMITED

- (c) each of the parties to the Termination Agreement shall fully release and forever discharge each of the other parties from and against any and all claims, demands, obligations, suits, damages, losses, expenses and liabilities of any kind in connection with or relating to the Shareholders' Agreement except with respect to the rights, obligations and representations set forth in the Termination Agreement; and
- (d) Igloo and GoHome shall indemnify Next Media and NextV and shall keep Next Media and NextV indemnified against all demands, claims, liabilities, losses, costs and expenses whatsoever as a result of or in connection with any transactions entered into by Igloo and/or GoHome before the date of the Termination Agreement.

Under the Termination Agreement, NextV has agreed to (a) assume GoHome's outstanding account payables in an amount of HK\$13,368 to AD Marketing for the purchase of office supplies and general consumer products by GoHome as at the date of the Termination Agreement; and (b) provide HK\$1,400,400 worth of advertisements in Apple Daily and/or Next Magazine to be used by Igloo, GoHome and/or a company to be established by an existing shareholder of Igloo to operate the website at "www.gohome.com.hk" within a period of six months from the date of the Termination Agreement.

INFORMATION ON THE GROUP

The Group is principally engaged in printing and publication of magazines and operation of websites and other internet-related services.

INFORMATION OF IGLOO AND GOHOME

Igloo is an investment holding company incorporated in the British Virgin Islands on 28 August 1998. Igloo's sole material asset is 100 per cent. beneficial interest in GoHome whose principal business is the operation of a Hong Kong-focused property-related website. GoHome lists on its website "www.gohome.com.hk" advertisements from property owners and agents who want to let or sell Hong Kong residential properties and profiles new developments and produces and presents original property-related information that will be of interest to homeseekers. GoHome's major source of income derives from customers' placements of online advertisements. GoHome commenced operation in August 1999. The Directors were informed by the management of Igloo that Igloo has accumulated losses amounting to approximately HK\$5,000,000 for the period from the date GoHome commenced operation to 31 March 2000 and approximately HK\$19,770,000 for the eight month period ended 30 November 2000 and that as at 30 November 2000, the net asset value of Igloo was approximately HK\$11,960,000.

LOSS FROM THE TERMINATION OF THE SHAREHOLDERS' AGREEMENT

After taking into account the share of loss of Igloo in the amount of HK\$7,012,876 by Next Media during the six-month period ended 30 September 2000, the Group will incur a further loss of approximately HK\$38,400,000 as a result of the termination of the Shareholders' Agreement. Such loss will be accounted for in Next Media's financial year ending 31 March 2001.

REASONS FOR TERMINATION OF THE SHAREHOLDERS' AGREEMENT

In view of the recent unsatisfactory internet market performance, Next Media has revamped its business strategies and decided to terminate the Shareholders' Agreement. The Directors believe that such termination, by relieving the Group from further financial commitments under Stage II and Stage III as set out in the Shareholders' Agreement, would allow Next Media to preserve and better re-deploy its resources by investing such resources in the existing business operated by the Group, which, the Directors believe, is in the best commercial interests of Next Media and its shareholders.

The terms of the Termination Agreement are arrived at following arms' length negotiations between the parties with reference to the Group's outstanding and further liabilities under Stages II and III of the Shareholders' Agreement respectively if the Shareholders' Agreement would not be terminated.

The termination of the Shareholders' Agreement constitutes a discloseable transaction for Next Media under the Listing Rules. A circular containing details of such termination will be despatched to the shareholders of Next Media as soon as practicable.

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

- "AD Marketing" means AD Marketing Limited, a company controlled by Mr. Lai Chee Ying, Jimmy, a Director and the controlling shareholder of Next Media;
- "Directors" means the directors of Next Media;
- "GoHome" means GoHome H.K. Co. Ltd., a company incorporated in Hong Kong and is a wholly-owned subsidiary of Igloo;
- "Group" means Next Media and its subsidiaries;
- "Igloo" means Igloo Finance Limited, a company incorporated in the British Virgin Islands, which is owned as to 40 per cent. by NextV and the remaining 60 per

NEXT MEDIA LIMITED

cent. by 17 individual shareholders all of whom are independent of the Group;

"Listing Rules" means The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;

"Next Media" means Next Media Limited whose shares are listed on The Stock Exchange of Hong Kong Limited;

"NextV" means Next Ventures Limited, a company incorporated in the British Virgin Islands and is a wholly-owned subsidiary of Next Media;

"Shareholders' Agreement" means the amended and restated shareholders' agreement dated as of 8 March 2000 entered into between Next Media, NextV, Igloo and the then shareholders of Igloo;

"Stock Exchange" means the Stock Exchange of Hong Kong Limited; and

"Termination Agreement" means the termination agreement dated 15 December 2000 entered into between Next Media, NextV, Igloo, GoHome and the other existing shareholders of Igloo.

By Order of the board of Directors

NEXT MEDIA LIMITED

Janis Lee Yuen Mei

Company Secretary

Hong Kong, 18 December 2000

Please also refer to the published version of this announcement in the i Mail dated 19/12/2000.