

NEXTmedia

Next Media Limited

(incorporated in Hong Kong with limited liability)

PROPOSAL FOR THE REDUCTION OF SHARE PREMIUM ACCOUNT

The Board of Directors of the Company announces that the Company intends to put forward to the Ordinary Shareholders for approval a proposal to reduce the share premium account of the Company.

The amount standing to the credit of the Company's share premium account as at 30 September 2002 is approximately HK\$865,083,000 as shown in the unaudited financial statements of the Group for the six months ended 30 September 2002. It is proposed that the share premium account of the Company be reduced by HK\$828,937,000 and to apply such amount to set off against the Company's Accumulated Losses, and the remaining balance arising from the Reduction of Share Premium Account (if any) will be credited to a capital reduction reserve account, subject to such conditions as the Court may impose.

The proposal for the Reduction of Share Premium Account is subject to the conditions contained in the section headed "Conditions of the Reduction of Share Premium Account" below. The Effective Date for the Reduction of Share Premium Account cannot be ascertained at present; a further announcement will be made informing the Shareholders of the Effective Date.

A circular setting out details of the Reduction of Share Premium Account and a notice convening an extraordinary general meeting to approve the Reduction of Share Premium Account will be despatched to the Shareholders as soon as practicable.

Reduction of Share Premium Account

The Company proposes to reduce its share premium account (which credit stands at approximately HK\$865,083,000 as at 30 September 2002) by HK\$828,937,000 and to apply such amount to set off against the Company's Accumulated Losses, subject to such conditions as the Court may impose. The Company's accumulated losses stood at approximately HK\$1,213,540,000 as at 31 March 2002 as shown in the audited financial statements of the Company for the year ended 31 March 2002. The Company's unaudited accumulated losses stood at approximately HK\$828,937,000 as at 30 September 2002.

Reasons for the Reduction of Share Premium Account

The Company carried out a capital reduction in September 1998 and the credit which arose out of such capital reduction was applied to reduce the Company's accumulated losses at the time. Since then, the Company has incurred further losses such that the Company had total accumulated losses of approximately HK\$828,937,000 as at 30 September 2002, which accumulated losses are mainly attributable to provision made for diminution in value of the Company's investments in subsidiaries. The Group is now profitable; the Group recorded profits of approximately HK\$191,031,000 during the six-month period ended 30 September 2002 as shown in the unaudited financial statements of the Group for that period and announced on 7 November 2002. However, the Company will remain unable to pay dividends while such accumulated losses exist. Accordingly, the Directors are proposing the Reduction of Share Premium Account and that the resulting credit be applied to set off against the Company's Accumulated Losses and the remaining balance arising from the Reduction of Share Premium Account (if any) will be credited to a capital reduction reserve account, subject to such conditions as the Court may impose.

The proposal to set off the Company's Accumulated Losses with the credit arising out of the Reduction of Share Premium Account should bring forward the time when the Company will be in a position to pay dividends.

The Directors consider the Reduction of Share Premium Account to be in the best interests of the Company and the Company's Shareholders.

Effect of the Reduction of Share Premium Account

As stated above, as a result of the Reduction of Share Premium Account, a credit of HK\$828,937,000 will arise. This will be applied to set off the Company's Accumulated Losses and the remaining balance arising from the Reduction of Share Premium Account (if any) will be credited to a capital reduction reserve account.

Save for the expenses incurred by the Company in relation to the Reduction of Share Premium Account, the implementation of the Reduction of Share Premium Account will not, in itself, alter the underlying assets, business operations, management of the Company or the proportionate interests of the Shareholders (in respect of the respective Ordinary Shares and/or Preference Shares held by the Shareholders immediately prior to the Reduction of Share Premium Account becoming effective). The Directors believe that the Reduction of Share Premium Account will not have any adverse effect on the financial position of the Group.

Set out below is a pro forma statement showing the proposed movement of the Shareholders' funds of the Company before and after the Reduction of Share Premium Account takes effect.

	Before Reduction of Share Premium Account as at 30 September 2002 HK\$ '000	After Reduction of Share Premium Account takes effect HK\$ '000
Issued Share Capital	3,263,661	3,263,661
Share Premium Account	865,083	36,146
Property Revaluation Reserve	764	764
Capital Reduction Reserve	-	-
Accumulated Losses	(828,937)	-
Total Shareholder's Funds	<u>3,300,571</u>	<u>3,300,571</u>

Notes:

- This table assumes that the amount of the Accumulated Losses (i.e. as at the Effective Date) will be the same as the accumulated losses of the Company as at 30 September 2002.
- This does not take into account expenses that will be incurred by the Company in relation to the Reduction of Share Premium Account.

The Reduction of Share Premium Account does not involve either the diminution of any liability in respect of any unpaid capital of the Company or the repayment to the Shareholders of any paid-up capital of the Company.

Pursuant to the terms of the Schemes, the implementation of the Reduction of Share Premium Account will not result in any adjustment to the exercise price or the number of the Ordinary Shares to be subscribed for in relation to the outstanding options granted under the Schemes. Pursuant to the rights and conditions attached to the Preference Shares, the implementation of the Reduction of Share Premium Account will not result in any adjustment to the mechanism relating to the conversion of Preference Shares to Ordinary Shares.

Conditions of the Reduction of Share Premium Account

The Reduction of Share Premium Account is subject to the satisfaction of the following conditions:

- the passing by the Ordinary Shareholders of a special resolution to approve the Reduction of Share Premium Account and related matters at an extraordinary general meeting of the Company; and
- the confirmation of the Reduction of Share Premium Account by the Court and the registration by the Registrar of Companies in Hong Kong of a copy of the Court order confirming the Reduction of Share Premium Account and the minute containing the particulars required under section 61 of the Companies Ordinance.

Assuming that the above conditions are fulfilled, it is expected that the Reduction of Share Premium Account will become effective immediately following the registration of the Court order and the minute required under section 61 of the Companies Ordinance. However, the Effective Date cannot be ascertained at present as it depends on the availability of the date of the hearing of the petition for the confirmation of the Reduction of Share Premium Account by the Court. A further announcement will be made informing the Shareholders of the Effective Date.

Circular

A circular setting out details of the Reduction of Share Premium Account and a notice convening an extraordinary general meeting to approve the Reduction of Share Premium Account will be despatched to the Shareholders as soon as practicable.

Definitions

"Accumulated Losses"	Accumulated losses of the Company as at the Effective Date, having regard to distributable profits of the Company's subsidiaries as at the Effective Date
"Board"	The board of Directors of the Company
"Companies Ordinance"	The Companies Ordinance, Chapter 32 of the laws of Hong Kong
"Company"	Next Media Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
"Court"	The High Court of Hong Kong, Court of First Instance
"Directors"	The directors of the Company
"Effective Date"	The date upon which the Reduction of Share Premium Account becomes unconditional and effective when all the conditions to which it is subject as set out under the heading "Conditions of the Reduction of Share Premium Account" of this announcement are satisfied.
"Group"	The Company and its subsidiaries
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	The Hong Kong Special Administrative Region of the People's Republic of China
"Ordinary Shareholders"	The holders of Ordinary Share(s)
"Ordinary Share(s)"	Existing ordinary share(s) of HK\$1.00 each in the share capital of the Company
"Preference Shareholder"	The holder of Preference Shares who is Mr Lai Chee Ying, Jimmy
"Preference Share(s)"	Existing 2% convertible non-voting non-cumulative preference share(s) of HK\$1.75 each in the share capital of the Company
"Reduction of Share Premium Account"	The proposed reduction of the Company's share premium account described in this announcement under the heading "Reduction of Share Premium Account"
"Schemes"	The share option scheme of the Company adopted on 20 September 1993 and the share option scheme of the Company adopted pursuant to an ordinary resolution dated 29 December 2000 and amended pursuant to an ordinary resolution dated 31 July 2002
"Share(s)"	Ordinary Share(s) and Preference Share(s)
"Shareholders"	The Ordinary Shareholders and the Preference Shareholder
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

By order of the Board
Chow On Kiu, Andrew
Director

Hong Kong, 19 November 2002