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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold** or transferred all your shares in Next Media Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**DISCLOSEABLE TRANSACTION**  
**TERMINATION OF THE SHAREHOLDERS' AGREEMENT**

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“AD Marketing”	AD Marketing Limited, a company which is controlled by Mr. Lai Chee Ying, Jimmy, a Director and the controlling shareholder of Next Media, and has ceased operations since 11 December 2000
“Announcement”	the announcement issued by Next Media on 18 December 2000 in relation to the termination of the Shareholders’ Agreement
“Directors”	the directors of Next Media
“GoHome”	GoHome H.K. Co. Ltd., a company incorporated in Hong Kong on 2 July 1999 and is a wholly owned subsidiary of Igloo
“Group”	Next Media and its subsidiaries
“Igloo”	Igloo Finance Limited, a company incorporated in the British Virgin Islands on 28 August 1998, which was, as at the date of the Termination Agreement, owned as to 40 per cent. by NextV and the remaining 60 per cent. by 17 individual shareholders all of whom are independent of the Group
“Latest Practicable Date”	5 January 2001, being the latest practicable date for ascertaining certain information referred to in this circular prior to the printing of this circular
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Next Media”	Next Media Limited whose shares are listed on the Stock Exchange
“NextV”	Next Ventures Limited, a company incorporated in the British Virgin Islands and is a wholly owned subsidiary of Next Media

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## DEFINITIONS

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“SDI Ordinance”	the Securities (Disclosure of Interests) Ordinance (Cap. 396 of the Laws of Hong Kong)
“Shareholders’ Agreement”	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”	The Stock Exchange of Hong Kong Limited
“Termination Agreement”	the termination agreement dated 15 December 2000 entered into between Next Media, NextV, Igloo, GoHome and the other then shareholders of Igloo

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LETTER FROM THE BOARD

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**NEXTmedia**  
**NEXT MEDIA LIMITED**

*(Incorporated in Hong Kong with limited liability)*

*Executive Directors:*

Lai Chee Ying, Jimmy

Chow On Kiu, Andrew

Yeung Wai Hong

Ting Ka Yu, Stephen

Kok Hon Kay, Peter

Pieter Lodewijk Schats

Chan Chun Shing, Otto

*Registered Office:*

8 Chun Ying Street

Tseung Kwan O Industrial Estate West

Tseung Kwan O

New Territories

Hong Kong

*Independent non-executive Directors:*

Yeh V-nee

Hsu Chien-kuo, Gerald

Fok Kwong Hang, Terry

8 January 2001

*To the shareholders of Next Media*

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION**  
**TERMINATION OF THE SHAREHOLDERS' AGREEMENT**

**INTRODUCTION**

Subsequent 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, on 18 December 2000, the Directors announced that Next Media, NextV, Igloo, GoHome and the other then shareholders of Igloo entered into the Termination Agreement on 15 December 2000 pursuant to which each of the parties thereto agreed to terminate the Shareholders' Agreement.

The termination of the Shareholders' Agreement constitutes a discloseable transaction for Next Media under the Listing Rules. The purpose of this circular is to provide you with further information on such termination.

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## LETTER FROM THE BOARD

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### THE SHAREHOLDERS' AGREEMENT

Under the Shareholders' Agreement, among other things:

- (a) NextV was, on the date of execution of the Shareholders' Agreement, i.e. 8 March 2000, required to 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) was required to be paid in cash by NextV to Igloo and US\$3,900,000 (approximately HK\$30,342,000) was required to be settled by way of provision of services of advertising and content by Next Media to Igloo ("Stage I");
- (b) within 120 days following completion of Stage I, i.e. by 6 July 2000, NextV was required to purchase from certain then shareholders of Igloo an additional 9.99 per cent. interest 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 for such shareholders of Igloo 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"); 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 was required to 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 would not occur by 30 June 2001, each of the then shareholders of Igloo except NextV was required to transfer his shareholding in Igloo for new shares of Next Media on terms to be determined by then prevailing market conditions ("Stage III").

Stage I was completed on 8 March 2000 and, as at the date of the Termination Agreement, i.e. 15 December 2000, the Group had a 40 per cent. interest in the then issued share capital of Igloo. As the parties to the Shareholders' Agreement have been negotiating an amendment to the Shareholders' Agreement since early July 2000, neither Stage II nor Stage III was able to be completed as at the date of the Termination Agreement.

As at 15 December 2000, pursuant to the Shareholders' Agreement:

- (a) NextV contributed to Igloo US\$100,000 (approximately HK\$778,000) in cash; and
- (b) Next Media provided to Igloo approximately HK\$13,500,000 worth of printed advertising. Next Media had not provided any content services to Igloo.

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## LETTER FROM THE BOARD

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As at the date of the Termination Agreement, NextV had extended to Igloo and GoHome loans in the amounts of US\$500,000, US\$200,000 and US\$100,000 (approximately HK\$3,890,000, HK\$1,556,000 and HK\$778,000 respectively) on 11 April 2000, 3 August 2000 and 13 November 2000 respectively, all 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.

### THE TERMINATION AGREEMENT

On 15 December 2000, Next Media, NextV, Igloo, GoHome and the other then shareholders of Igloo entered into the Termination Agreement pursuant to which each of the parties thereto agreed to terminate the Shareholders' Agreement provided that within one week after the execution of the Termination Agreement, Next Media shall pay GoHome an amount of HK\$778,000 and the then shareholders of Igloo excluding NextV an aggregate amount of US\$2,900,000 (approximately HK\$22,562,000) in cash as consideration for their entering into of the Termination Agreement; and thereupon, the Shareholders' Agreement shall be terminated.

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 then issued share capital of Igloo, to Mr. Patrick Man Ho Lam, a shareholder of Igloo who, as at the date of the Termination Agreement, was interested in approximately 15.6 per cent. of the then 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 but not limited to:
  - (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 interests;
  - (ii) NextV's liability to purchase 9.99 per cent. in Igloo from certain then shareholders thereof 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.

Save as disclosed in this paragraph (b), the Directors are not aware of any other liabilities due or already incurred between the parties to the Termination Agreement arising from dealings related to Igloo or GoHome;

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## LETTER FROM THE BOARD

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- (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 and keep indemnified Next Media and NextV 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.

Pursuant to the Termination Agreement, an amount of HK\$778,000 has been paid by Next Media to GoHome and an aggregate amount of approximately HK\$22,562,000 has been paid by Next Media to the then shareholders of Igloo excluding NextV at various dates prior to the expiry of one week after the execution of the Termination Agreement. Accordingly, the Shareholders' Agreement has been terminated and all the transactions contemplated under the Termination Agreement have been completed.

### INFORMATION ON THE GROUP

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

Next Media has established a wholly owned subsidiary, AtNext Limited, with the intention to hold certain online assets of the Group. Next Media currently does not have any plan in connection with an initial public offering of the shares of this company.

### INFORMATION ON 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 the 100 per cent. beneficial interest in GoHome, whose principal business is the operation of a Hong Kong-focused property-related website. GoHome publishes 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 in the Hong Kong property market, and presents property-related information that will be of interest to homeseekers.



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## LETTER FROM THE BOARD

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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, that as at 30 November 2000, the net asset value of Igloo was approximately HK\$11,960,000, and that its assets were principally comprised of account receivables.

It was originally intended that a further round of investment by professional investors into Igloo would be introduced, as contemplated under the Shareholders' Agreement. However, since the date of the Shareholders' Agreement, no such further investment has occurred.

### **LOSS FROM THE TERMINATION OF THE SHAREHOLDERS' AGREEMENT**

After accounting for 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 THE 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 were arrived at following arm's length negotiations between the parties thereto with reference to the Group's outstanding and further liabilities under Stages II and III of the Shareholders' Agreement if the Shareholders' Agreement was not terminated.

### **OMISSIONS IN PREVIOUS ANNOUNCEMENT AND CIRCULAR**

In the circular issued by Next Media dated 29 March 2000, it was only stated that under Stage II, among other things, NextV would 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.

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## LETTER FROM THE BOARD

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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) in the section headed “The Shareholders’ Agreement” 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.

### **ADDITIONAL INFORMATION**

Your attention is also drawn to the additional information set out in the appendix to this circular.

Yours faithfully,  
For and on behalf of the board of Directors of  
**NEXT MEDIA LIMITED**  
**Chow On Kiu, Andrew**  
*Director*

## RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to Next Media. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, statements of fact expressed herein are true, accurate and not misleading, statements of opinion expressed herein have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement herein misleading.

## DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests of the Directors and chief executive of Next Media in the equity and debt securities of Next Media and any associated corporation (within the meaning of the SDI Ordinance) which were required to be notified to Next Media and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which they were deemed or taken to have under Section 31 or Part I of the Schedule to the SDI Ordinance) or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein were as follows:

Name	Number of shares of Next Media				Percentage of Interests (%)
	Personal Interests	Corporate Interests	Other Interests	Total Interests	
Mr. Lai Chee Ying, Jimmy	1,568,077,703	181,159,420 <i>(Note 1)</i>	–	1,749,237,123	54.020
Mr. Chow On Kiu, Andrew	35,760,675	–	–	35,760,675	1.100
Mr. Yeung Wai Hong	15,000,000	61,400,528 <i>(Note 2)</i>	–	76,400,528	2.360
Mr. Kok Hon Kay, Peter	4,595,637	–	–	4,595,637	0.140
Mr. Ting Ka Yu, Stephen	10,225,127	–	–	10,225,127	0.320
Mr. Yeh V-nee	–	–	130,000 <i>(Note 3)</i>	130,000	0.004
Mr. Pieter Lodewijk Schats	2,250,000	–	–	2,250,000	0.070
Mr. Chan Chun Shing, Otto	10,000,000	–	–	10,000,000	0.310

*Note (1):* These shares are held by Apple Daily Limited (“ADL”). Mr. Lai Chee Ying, Jimmy is deemed to have interest in these shares by virtue of his controlling interest in ADL.

*Note (2):* These shares are owned by Flagstone Assets Limited. Mr. Yeung Wai Hong is deemed to be interested in these shares by virtue of the 100 per cent. interest in Flagstone Assets Limited owned by himself and his family.

*Note (3):* These shares are held by VP Special Situations I Limited (“VPSS”) to which VP Private Equity Ltd. (“VPPE”) is the fund manager. Mr. Yeh V-nee is deemed to be interested in these shares by virtue of the fact that he has more than one third of the voting right in VPPE and a 0.486 per cent. attributable interest in VPSS.

Save as disclosed herein, none of the Directors or chief executive of Next Media had any interest in the equity or debt securities of Next Media or any associated corporation (within the meaning of the SDI Ordinance) which were required to be notified to Next Media and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which they were deemed or taken to have under Section 31 or Part I of the Schedule to the SDI Ordinance) or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or which were required, pursuant to Section 29 of SDI Ordinance, to be entered in the register referred to therein as at the Latest Practicable Date.

### SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the register required to be kept under Section 16(1) of the SDI Ordinance showed that Next Media had been notified of the following interests, being 10 per cent. or more of the issued share capital of Next Media.

<b>Name</b>	<b>No. of shares of Next Media</b>	<b>Percentage of Interests</b>
Mr. Lai Chee Ying, Jimmy	1,749,237,123	54.02%

### LITIGATION

The following are claims or litigation of material importance which were pending, commenced by or against Next Media or any of its subsidiaries as at the Latest Practicable Date:

Paramount Printing Company Limited, a wholly owned subsidiary of Next Media has been named as one of the defendants in a Hong Kong High Court action commenced on 3 October 1994 in relation to a claim for unstated damages for alleged infringement of copyright as printer. This company has also been named as one of the defendants in three other Hong Kong High Court actions commenced on 4 May 2000, 27 July 2000 and 28 July 2000 respectively in relation to claims for unstated damages for alleged defamation as printer.

Paramount Printing Services Limited, a wholly owned subsidiary of Next Media has been named as one of the defendants in three Hong Kong High Court actions commenced on 12 January 1996, 9 December 1999 and 13 May 2000 respectively in relation to claims for unstated damages for alleged defamation. The claims are related to alleged defamatory statements made in two magazines printed by the said subsidiary.

Paramount Publishers Limited, a wholly owned subsidiary of Next Media has been named as one of the defendants in a Hong Kong High Court action commenced on 19 March 1999 in relation to a claim for unstated damages for alleged defamation. The claim is related to alleged defamatory statements made in a magazine published by the said subsidiary.

Easy Finder Limited, a wholly owned subsidiary of Next Media has been named as a defendant in six Hong Kong High Court actions commenced on 13 April 1995, 22 April 1995, 28 April 1995, 15 July 1995, 22 October 1996 and 28 July 2000 respectively in relation to claims for unstated damages for alleged defamation.

Job Finder Limited, a wholly owned subsidiary of Next Media has been named as a defendant in a Hong Kong District Court action commenced on 13 August 1999 in relation to a claim for breach of an advertising contract.

The above actions were still outstanding as at the Latest Practicable Date. Although the final outcome of these proceedings is uncertain, the board of Directors is of the opinion that the ultimate liability, if any, of the Group under these actions would not have a material impact on the financial position of the Group.

As at the Latest Practicable Date, save as disclosed, neither Next Media nor any other member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

#### **MISCELLANEOUS**

Ms. Lee Yuen Mei, Janis, the secretary of Next Media, is an associate member of the Hong Kong Institute of Company Secretaries and the Institute of Chartered Secretaries and Administrators.

None of the Directors has any service contract with Next Media or any of its subsidiaries or associated companies in force which is not expiring or determinable within one year without payment of compensation (other than statutory compensation).

The registered office of Next Media is at 8 Chun Ying Street, Tseung Kwan O Industrial Estate West, Tseung Kwan O, New Territories, Hong Kong and its principal place of business in Hong Kong is at 3 Chun Kwong Street, Tseung Kwan O Industrial Estate, New Territories, Hong Kong.

The share registrars of Next Media is Central Registration Hong Kong Limited of 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.