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NEXTmedia

NEXT MEDIA LIMITED

(Incorporated in Hong Kong with limited liability)

Directors:

Lai Chee Ying, Jimmy (*Chairman*)
Chow On Kiu, Andrew
Yeung Wai Hong
Ting Ka Yu, Stephen
Kok Hon Kay, Peter
Pieter Lodewijk Schats
Chan Chun Shing, Otto
Yeh V-nee*
Hsu Chien-kuo, Gerald*
Fok Kwong Hang, Terry*

Registered Office:

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Tseung Kwan O Industrial Estate West
Tseung Kwan O
New Territories
Hong Kong

* *Independent non-executive director*

24 July 2001

To the shareholders

Dear Sir or Madam,

EXPLANATORY STATEMENT IN RELATION TO GENERAL MANDATES TO ISSUE SHARES AND TO REPURCHASE SHARES

At the last annual general meeting of Next Media Limited (the “Company”) held on 7 August 2000, general mandates were given to the directors of the Company (the “Directors”) to exercise the powers of the Company (i) to repurchase issued shares in the capital of the

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Company up to 10 per cent. of the issued share capital of the Company, and (ii) to allot, issue and otherwise deal with shares up to (a) 20 per cent. of the issued share capital of the Company plus (b) the nominal amount of any shares repurchased by the Company. Such mandates will lapse at the conclusion of the forthcoming annual general meeting to be held on 16 August 2001 (the “Annual General Meeting”). Ordinary resolutions will be proposed at the Annual General Meeting (i) to grant a general mandate to the Directors to exercise the power of the Company to repurchase shares up to 10 per cent. of the issued share capital of the Company at the date of passing such resolution and (ii) to grant a general mandate to the Directors to exercise the power of the Company to allot, issue and otherwise deal with shares up to (a) 20 per cent. of the issued share capital of the Company at the date of passing such resolution plus (b) the nominal amount of any shares repurchased by the Company.

EXPLANATORY STATEMENT

This is the explanatory statement, as required by the relevant rules set out in the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) to regulate the repurchase by companies with primary listings on the Stock Exchange of their own securities on the Stock Exchange (“Share Buy Back Rules”), to provide requisite information to you for your consideration of the proposal to authorize the Directors to exercise the powers of the Company to repurchase shares up to a maximum of 10 per cent. of the issued share capital of the Company at the date of passing the ordinary resolution (“Ordinary Resolution”) during the relevant period referred to in item no. 4B of the notice of the Annual General Meeting of the Company dated 18 July 2001 (“Repurchase Proposal”).

1. SHARE CAPITAL

As at 19 July 2001 (the latest practicable date prior to the printing of this document) (the “Latest Practicable Date”), the issued share capital of the Company comprised 3,238,193,810 shares of HK\$0.20 each (the “Shares”). On the basis of the number of Shares as at the Latest Practicable Date and assuming that no other Shares are issued or repurchased after the Latest Practicable Date and up to the date of the passing of the Ordinary Resolution, the Company would be authorized to repurchase a maximum of 323,819,381 Shares.

2. REASONS FOR REPURCHASE

The Directors believe that the Repurchase Proposal is in the best interests of the Company and its shareholders. Such repurchase may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets and/or earnings per Share of the Company and will only be made when the Directors believe that such a repurchase will benefit the Company and its shareholders.

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3. FUNDING OF REPURCHASE

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its Memorandum and Articles of Association, the Listing Rules and the Companies Ordinance. The Companies Ordinance provides that a share repurchase may only be made out of the distributable profits of the Company and/or the proceeds of a new issue of Shares.

There might be an adverse impact on the working capital or gearing position of the Company as compared with the position disclosed in the audited accounts contained in the annual report for the year ended 31 March 2001 in the event that the general mandate in the Repurchase Proposal was to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the general mandate in the Repurchase Proposal to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which, in the opinion of the Directors, are from time to time appropriate for the Company.

4. SHARE PRICES

The highest and lowest prices at which the Shares have been traded on the Stock Exchange during each of the previous twelve months are as follows:

	Highest <i>HK\$</i>	Shares	Lowest <i>HK\$</i>
July 2000	1.360		0.820
August 2000	0.980		0.740
September 2000	0.970		0.550
October 2000	0.640		0.290
November 2000	0.600		0.340
December 2000	0.420		0.335
January 2001	0.485		0.355
February 2001	0.485		0.350
March 2001	0.375		0.218
April 2001	0.380		0.205
May 2001	0.435		0.280
June 2001	0.420		0.310

5. UNDERTAKING

The Directors have undertaken to the Stock Exchange that they will exercise the powers of the Company to make repurchases pursuant to the Ordinary Resolution and in accordance with the Listing Rules, the Companies Ordinance and the Memorandum and Articles of Association of the Company.

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None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, their associates (as defined in the Listing Rules), have any present intention to sell any Shares to the Company or its subsidiaries if the Repurchase Proposal is approved by the shareholders of the Company.

No connected persons (as defined in the Listing Rules) of the Company have notified it of a present intention to sell any Shares to the Company or its subsidiaries, or have undertaken not to sell any Shares to the Company or its subsidiaries, in the event that the Repurchase Proposal is approved by the shareholders of the Company.

6. CODE ON TAKEOVERS AND MERGERS

If on the exercise of the general mandate to repurchase Shares pursuant to the Repurchase Proposal, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 32 of the Hong Kong Code on Takeovers and Mergers ("Takeover Code"). As a result, a shareholder or group of shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeover Code.

As at the Latest Practicable Date, Mr. Lai Chee Ying, Jimmy ("Mr. Lai") is beneficially interested in the Shares representing approximately 54 per cent. of the issued share capital of the Company. As at the Latest Practicable Date, to the best of the knowledge and belief of the Company, Mr. Lai is the only person who is beneficially interested in the Shares representing 10 per cent. or more of the issued share capital of the Company. In the event that the Directors exercised in full the general mandate to repurchase Shares pursuant to the Ordinary Resolution, the shareholding of Mr. Lai in the Company would be increased to approximately 60 per cent. and the aggregate amount of the share capital of the Company in public hands would not be reduced to less than 25 per cent. The Directors believe that such an increase would not give rise to an obligation to make a mandatory offer under the Takeover Code.

Save as disclosed above, the Directors are not aware of any consequences which may arise under the Takeover Code as a result of any repurchases made under the Repurchase Proposal.

7. SHARES REPURCHASE MADE BY THE COMPANY

The Company had not repurchased any Shares (whether on the Stock Exchange or otherwise) in the six months preceding the Latest Practicable Date.

8. RECOMMENDATION

The Directors consider that the granting of the mandates to issue and repurchase shares is in the interests of the Company and its shareholders as a whole and recommend shareholders to vote in favour of the relevant ordinary resolutions to be proposed at the Annual General Meeting.

Yours Faithfully
Chow On Kiu, Andrew
Director