
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 and the accompanying form of proxy to the purchaser or transferee or 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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NEXTmedia
NEXT MEDIA LIMITED
(Incorporated in Hong Kong with limited liability)

PROPOSAL FOR THE
REDUCTION OF SHARE PREMIUM ACCOUNT

A notice convening an extraordinary general meeting of Next Media Limited to be held at the Conference Room on the 1st Floor, 3 Chun Kwong Street, Tseung Kwan O Industrial Estate, Tseung Kwan O, New Territories, Hong Kong on Monday, 23 December 2002 at 10:00 a.m. is set out on pages 11 to 12 of this Circular. Whether or not you are able to attend the meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the registered office of Next Media Limited at 8 Chun Ying Street, Tseung Kwan O Industrial Estate West, Tseung Kwan O, New Territories, Hong Kong as soon as possible and, in any event, not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjournment thereof. Completion and return of the form of proxy will not prevent you from attending and voting at the extraordinary general meeting if you so wish.

28 November 2002

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DEFINITIONS

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

“Accumulated Losses”	the accumulated losses of the Company as at 30 September 2002
“Appropriate Amount”	such amount as the Board considers to be an appropriate amount of accumulated losses of the Company that should be eliminated by the credit arising from the Reduction of Share Premium Account having regard to distributable profits of the Company’s subsidiaries since 30 September 2002, or such other amount as the Court may direct
“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 on page 8 of this Circular are satisfied, which is tentatively expected to be 19 February 2003. Further announcement will be made in the event of any changes to this date
“EGM”	the extraordinary general meeting of the Company to be held at the Conference Room on the 1st Floor, 3 Chun Kwong Street, Tseung Kwan O Industrial Estate, Tseung Kwan O, New Territories, Hong Kong on Monday, 23 December 2002 at 10:00 a.m. or any adjournment thereof
“EGM Notice”	the notice convening the EGM set out on pages 11 to 12 of this Circular

DEFINITIONS

“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
“Meeting”	has the meaning given to that term in the EGM Notice
“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 Share Premium Account as set out in this Circular
“Schemes”	the share option scheme of the Company adopted on 20 September 1993 and the share option scheme of the Company adopted on 29 December 2000 and amended on 31 July 2002
“Share Premium Account”	the share premium account of the Company which credit stood at approximately HK\$865,083,000 as at 30 September 2002 (based on the unaudited financial statements of the Group for the six months ended 30 September 2002)
“Shareholders”	the Ordinary Shareholders and the Preference Shareholder
“Special Reserve Account”	a reserve account of the Company to be set up if the Board considers necessary and/or upon the direction of the Court, upon the Reduction of Share Premium Account becoming unconditional and effective and which may, if appropriate, be treated as a reserve which is not

DEFINITIONS

distributable for so long as creditors of the Company (as of the Effective Date) remain as creditors or until such creditors consent to its cancellation

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“%”

Percent

EXPECTED TIMETABLE

The date of hearing of the petition in relation to the Reduction of Share Premium Account is subject to confirmation by the Court; the Court may set another date for the hearing. The expected timetable is therefore indicative only and is subject to change. Further announcement will be made in the event of any such change.

Latest time for Ordinary Shareholders

to lodge forms of proxy for the EGM 10:00 a.m. on Saturday, 21 December 2002

EGM 10:00 a.m. on Monday, 23 December 2002

Hearing of the petition for confirmation by

the Court of the Reduction of Share Premium Account Tuesday, 18 February 2003

Registration of Court order confirming the Reduction of Share Premium

Account and, if required by the Court, the minute of the

Reduction of Share Premium Account with the Registrar of

Companies in Hong Kong (*Note*) Wednesday, 19 February 2003

Note:

The Reduction of Share Premium Account will become effective when it is confirmed by the Court and upon the registration by the Registrar of Companies in Hong Kong of an office copy of the order of the Court and, if required by the Court, the minute approved by the Court as required under section 61 of the Companies Ordinance.

LETTER FROM THE BOARD

NEXTmedia
NEXT MEDIA LIMITED

(Incorporated in Hong Kong with limited liability)

Executive Directors:

Lai Chee Ying, Jimmy (*Chairman*)
Chow On Kiu, Andrew
Ting Ka Yu, Stephen
Kok Hon Kay, Peter
Ip Yut Kin

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
Fok Kwong Hang, Terry

28 November 2002

*To the Ordinary Shareholders and,
for information only, the Preference Shareholder and
grantees of options outstanding under the Schemes*

Dear Sir or Madam,

**PROPOSAL FOR
REDUCTION OF SHARE PREMIUM ACCOUNT**

1. INTRODUCTION

The Board announced on 19 November 2002 that it intended to put forward the Reduction of Share Premium Account to the Ordinary Shareholders for approval. The aggregate credit of HK\$828,937,000 arising from the Reduction of Share Premium Account will be applied as to the Appropriate Amount in reducing the Company's Accumulated Losses, and the remaining balance of such credit arising from the Reduction of Share Premium Account (if any) will be credited to the Special Reserve Account, subject to such conditions as the Court may impose.

The purpose of this Circular is to provide Shareholders with further information relating to the Reduction of Share Premium Account, and to convene the EGM to consider and, if thought fit, to approve the Reduction of Share Premium Account by way of special resolution.

LETTER FROM THE BOARD

2. REDUCTION OF SHARE PREMIUM ACCOUNT

The Company proposes to reduce the Share Premium Account (which credit stood at approximately HK\$865,083,000 as at 30 September 2002 based on the unaudited financial statements of the Group for the six months ended 30 September 2002) by HK\$828,937,000 and the Appropriate Amount of such sum will be applied to set off against the Company's Accumulated Losses, with the remaining balance of such sum arising from the Reduction of Share Premium Account (if any) to be credited to the Special Reserve Account, subject to such conditions as the Court may impose. The Company's unaudited accumulated losses stood at approximately HK\$828,937,000 as at 30 September 2002.

The Reduction of Share Premium Account does not involve any reduction of the issued share capital of the Company and, accordingly, neither the Ordinary Shareholders nor the Preference Shareholder will be affected. On this basis (and subject to any undertakings required to be given by the Company to the Court), the Directors consider that the Reduction of Share Premium Account is fair for both classes of Shareholders.

On the above basis and for the reasons set out in section 3 below, the Directors consider the Reduction of Share Premium Account to be in the best interests of the Company and the Shareholders.

3. 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. The further losses incurred by the Company since then are mainly attributable to provisions made for the diminution in value of the Company's investments in subsidiaries. The Company's total accumulated losses as at 31 March 2002 stood at approximately HK\$1,213,540,000 (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.

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. However, the Company will remain unable to pay dividends while substantial accumulated losses of the Company exist. Accordingly, the Directors are proposing the Reduction of Share Premium Account and it is proposed that the resulting credit arising in the accounts of the Company following the Reduction of Share Premium Account be applied as to the Appropriate Amount to set off against the Company's Accumulated Losses, and that the remaining balance of such credit arising from the Reduction of Share Premium Account (if any) will be credited to the Special Reserve Account, subject to such conditions as the Court may impose.

LETTER FROM THE BOARD

The proposal to reduce 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.

4. EFFECT OF THE REDUCTION OF SHARE PREMIUM ACCOUNT

As a result of the Reduction of Share Premium Account, a credit of HK\$828,937,000 (being the amount by which the Share Premium Account will be reduced) will arise. As mentioned above, an Appropriate Amount of this credit will be applied to set off the Company's Accumulated Losses and the remaining balance of such credit arising from the Reduction of Share Premium Account (if any) will be credited to the Special Reserve Account, subject to such conditions as the Court may impose.

Given that the Company's accumulated losses are mainly attributable to the provisions made for a diminution in value of the Company's investments in subsidiaries, the Court is likely to regard a substantial part of such accumulated losses as non-permanent in nature. Unless the Court is otherwise satisfied that the interests of creditors of the Company are protected, the Company may be required to give an undertaking to the Court which would, in essence, prevent the Company from distributing any gains on future recoveries arising from assets for which provisions are made over and above their written down value and up to the amount of losses which is found by the Court to be non-permanent in nature for so long as creditors of the Company (as at the Effective Date) remain as creditors.

In addition, with respect to the Special Reserve Account, such reserve account will only be created and/or credited if, and to the extent that, the Board and/or the Court consider it necessary on the hearing of the petition for confirmation of the Reduction of Share Premium Account, having regard to the extent of the Company's accumulated losses at the time.

Save for the expenses incurred by the Company in relation to the Reduction of Share Premium Account (which is currently estimated to be approximately HK\$1,000,000), 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 Ordinary Shareholders and the Preference Shareholder. The Directors believe that the Reduction of Share Premium Account will not have any adverse effect on the financial position of the Group.

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 Ordinary Shareholders and/or the Preference Shareholder of any paid-up share capital of the Company.

LETTER FROM THE BOARD

Set out in the Appendix 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.

5. SHARE OPTIONS

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 will not result in any adjustment to the mechanism relating to the conversion of Preference Shares to Ordinary Shares.

6. CONDITIONS OF THE REDUCTION OF SHARE PREMIUM ACCOUNT

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

- (i) the passing by the Ordinary Shareholders of a special resolution to approve the Reduction of Share Premium Account and related matters at the EGM; and
- (ii) 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, if required by the Court, the minute 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, if required by the Court, the minute required under section 61 of the Companies Ordinance which is expected to be on or around Wednesday, 19 February 2003. 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.

7. EGM

The EGM Notice is set out on pages 11 to 12 of this Circular for the purpose of considering and, if thought fit, passing the special resolution in respect of the Reduction of Share Premium Account.

LETTER FROM THE BOARD

A form of proxy for use by the Ordinary Shareholders at the EGM is enclosed with this Circular. Whether or not Ordinary Shareholders are able to attend the EGM, Ordinary Shareholders are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the registered office of the Company at 8 Chun Ying Street, Tseung Kwan O Industrial Estate West, Tseung Kwan O, New Territories, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not prevent Ordinary Shareholders from attending and voting at the EGM or any adjournment thereof if they so wish.

8. RECOMMENDATION

The Directors believe that the Reduction of Share Premium Account is in the best interests of the Company and the Shareholders as a whole and recommend the Ordinary Shareholders to vote in favour of the special resolution set out in the EGM Notice.

9. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendix to this Circular.

Yours faithfully,
For and on behalf of the Board
Next Media Limited
Chow On Kiu, Andrew
Director

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

Notes:

1. This statement assumes that the Appropriate Amount is determined by the Board and/or the Court to be HK\$828,937,000 (i.e. the same amount as the unaudited accumulated losses of the Company as at 30 September 2002).
2. This statement does not take into account expenses that will be incurred by the Company in relation to the Reduction of Share Premium Account.

NOTICE OF THE EGM

NEXTmedia **NEXT MEDIA LIMITED**

(Incorporated in Hong Kong with limited liability)

NOTICE OF THE EGM

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (“Meeting”) of Next Media Limited (the “Company”) will be held at the Conference Room on the 1st Floor, 3 Chun Kwong Street, Tseung Kwan O Industrial Estate, Tseung Kwan O, New Territories, Hong Kong on Monday, 23 December 2002 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution as a special resolution:

SPECIAL RESOLUTION

“THAT:

- (A) subject to and forthwith upon the Reduction of Share Premium Account (defined in the Circular of the Company (“Circular”) dated 28 November 2002 despatched to the shareholders of the Company, of which the notice convening this Meeting forms part, a copy of which is produced to the Meeting marked “A” and initialled by the Chairman of the Meeting for the purpose of identification) becoming unconditional and effective, the share premium account of the Company be reduced by HK\$828,937,000 and the directors of the Company (“Directors”) be and are hereby authorised to apply such reduced and cancelled amount (“Credit”) as to the Appropriate Amount against the Company’s Accumulated Losses (each as defined in the Circular) and, if the Directors consider appropriate, to credit the remaining balance of the Credit (if any) to the Special Reserve Account (as defined in the Circular) to be applied in such manner as the Directors consider appropriate and/or subject to any conditions the Courts of Hong Kong may impose; and
- (B) the Directors be and are hereby authorised generally to do all acts and things, and to approve, sign and execute any documents, which in their opinion may be necessary, desirable or expedient to carry into effect or to give effect to the foregoing including, without limitation, to seek confirmation from (and provide any undertaking as is necessary to) the Courts of Hong Kong in respect of the Reduction of Share Premium Account.”

By order of the Board
Next Media Limited
Lee Yuen Mei, Janis
Company Secretary

Hong Kong, 28 November 2002

NOTICE OF THE EGM

Notes:

1. A shareholder of the Company entitled to attend and vote at the Meeting pursuant to the above notice is entitled to appoint one or more proxies to attend and vote instead of such shareholder in accordance with the Articles of Association of the Company. On a poll, votes may be given either personally or by proxy. A proxy need not be a shareholder of the Company.
2. A form of proxy in respect of the Meeting is enclosed. Whether or not you intend to attend the Meeting in person, you are urged to complete and return the form of proxy in accordance with the instructions printed thereon. Completion and return of the form of proxy will not preclude a shareholder from attending the Meeting, or any adjournment thereof, if such shareholder so wishes. In that event, such shareholder's form of proxy will be deemed to have been revoked.
3. In order to be valid, the form of proxy together with a power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be deposited with the registered office of the Company at 8 Chun Ying Street, Tseung Kwan O Industrial Estate West, Tseung Kwan O, New Territories, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.
4. In the case of joint holders of an ordinary share of the Company, if more than one of such joint holders be present at the Meeting personally or by proxy, the person so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.