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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 and the accompanying form of proxy 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.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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**NEXTmedia**  
**NEXT MEDIA LIMITED**  
*(Incorporated in Hong Kong with limited liability)*  
**(Stock Code: 0282)**

**CONNECTED TRANSACTIONS**  
**INVOLVING INVITATIONS MADE TO**  
**CONNECTED PERSONS OF THE COMPANY**

**Independent Financial Adviser to the Independent Board Committee and  
the Independent Shareholders**



**KGI Capital Asia Limited**

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A notice convening the 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, 14 January 2008 at 11:00 a.m. is set out on pages 27 to 28 of this circular.

If you are not able to attend the extraordinary general 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 preclude you from attending and voting at the extraordinary general meeting or any adjournment thereof should you so wish.

19 December 2007

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## DEFINITIONS

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*In this circular and the appendix to it, unless the context otherwise requires, the following expressions have the following meanings:*

“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of directors of the Company;
“Company”	Next Media Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange;
“Eligible Person”	any employee (whether full time or part time), executive or officer, director (including any executive and non-executive) of a Group Company, who holds salaried employment with a Group Company, who, in the sole discretion of the Board, has contributed or may contribute to the growth and development of the Group, but for the purpose of eligibility to apply for a Plan Loan, excludes any director of a Group Company;
“EGM”	extraordinary general meeting of the Company to be convened at Monday, 14 January 2008 at 11:00 a.m. at the Conference Room on the 1st Floor, 3 Chun Kwong Street, Tseung Kwan O Industrial Estate, Tseung Kwan O, New Territories, Hong Kong to consider and, if thought fit, approve the Relevant Invitations;
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries, and a “Group Company” means a member of the Group;
“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;
“Independent Board Committee”	independent board committee of the Company comprised of Mr. Yeh V-Nee, Mr. Fok Kwong Hang, Terry and Dr. Kao Kuen, Charles, all independent non-executive Directors;

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## DEFINITIONS

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“Independent Financial Adviser” or “KGI Capital”	KGI Capital Asia Limited;
“Independent Shareholders”	all Shareholders except Mr. Tung Chuen Cheuk, Mr. Ip Yut Kin and Mr. Ting Ka Yu, Stephen;
“Invitation(s)”	invitation(s) made under the Share Subscription and Financing Plan;
“Invitation Date”	in respect of the date on which an Invitation is made to that Eligible Person;
“Latest Practicable Date”	17 December 2007, the latest practicable date for ascertaining certain information for inclusion in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Plan Loan”	in respect of an Eligible Person (other than an Eligible Person that is a director of a relevant Group Company) who has been invited to apply for, and has been issued new Shares under the Share Subscription and Financing Plan, the sums owed by him by way of subscription price for the relevant Shares, such Plan Loan to be provided by the Relevant Group Company by itself or through its agent;
“Relevant Invitations”	Invitations made to Mr. Tung Chuen Cheuk, Mr. Ip Yut Kin and Mr. Ting Ka Yu, Stephen, inviting them to subscribe for a total of 4,200,000 Shares at a subscription price of HK\$2.12 each, subject to the fulfilment of certain vesting conditions and compliance by the Company with the requirements of Chapter 14A of the Listing Rules;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	ordinary share(s) of HK\$1.00 each in the capital of the Company, or of such other nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of the share capital of the Company from time to time;

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## DEFINITIONS

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“Shareholder(s)”	holder(s) of Share(s);
“Share Subscription and Financing Plan” or “Plan”	a share subscription and financing plan adopted on 29 October 2007 by the Board whereby selected Eligible Persons may be invited to apply for new Shares and offered the opportunity to finance their subscription by way of Plan Loans; and
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.

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## LETTER FROM THE BOARD

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# **NEXTmedia**

## **NEXT MEDIA LIMITED**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 0282)**

*Executive Directors:*

Lai Chee Ying, Jimmy (*Chairman*)  
Ting Ka Yu, Stephen (*Chief Executive Officer*)  
Ip Yut Kin  
Tung Chuen Cheuk

*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  
Kao Kuen, Charles

19 December 2007

*To the Shareholders*

Dear Sir or Madam,

### **CONNECTED TRANSACTIONS**

### **INVOLVING INVITATIONS MADE TO**

### **CONNECTED PERSONS OF THE COMPANY**

#### **INTRODUCTION**

The Company announced on 30 November 2007 that the Invitations were made to Mr. Tung Chuen Cheuk, Mr. Ip Yut Kin and Mr. Ting Ka Yu, Stephen, inviting them to subscribe for a total of 4,200,000 Shares at a subscription price of HK\$2.12 each, subject to the fulfilment of certain vesting conditions and compliance by the Company with the requirements of Chapter 14A of the Listing Rules. The Relevant Invitations were approved by the Directors, Mr. Lai Chee Ying, Jimmy (“Mr. Lai”), Mr. Yeh V-Nee, Mr. Fok Kwong Hang, Terry and Dr. Kao Kuen, Charles. For good corporate governance, the three interested Directors abstained from voting on the relevant resolutions.

The purpose of this circular is to provide you with further information on the Relevant Invitations and to provide you with notice of the EGM.

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## LETTER FROM THE BOARD

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### INVITATIONS

Invitee:	Tung Chuen Cheuk
Shares under the Relevant Invitation:	1,650,000 Shares
Subscription price:	HK\$2.12
Vesting conditions:	Mr. Tung will be entitled to subscribe for one-third of the Shares under his Invitation after the first anniversary of the Invitation Date, one-third of the Shares after the second anniversary and the remaining after the third anniversary.
Invitee:	Ip Yut Kin
Shares under the Relevant Invitation:	1,060,000 Shares
Subscription price:	HK\$2.12
Vesting conditions:	Mr. Ip will be entitled to subscribe for one-third of the Shares under his Invitation after the first anniversary of the Invitation Date, one-third of the Shares after the second anniversary and the remaining after the third anniversary.
Invitee:	Ting Ka Yu, Stephen
Shares under the Relevant Invitation:	1,490,000 Shares
Subscription price:	HK\$2.12
Vesting conditions:	Mr. Ting will be entitled to subscribe for one-third of the Shares under his Invitation after the first anniversary of the Invitation Date, one-third of the Shares after the second anniversary and the remaining after the third anniversary.

The three Relevant Invitations were made on 8 November 2007 and were all accepted by the three Directors on 12 November 2007. The number of Shares under each Relevant Invitation was determined with reference to the remuneration level of each Director.

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## LETTER FROM THE BOARD

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The subscription price of HK\$2.12 per Share, represents a discount of approximately 19.7% to the higher of the closing price of the Shares of HK\$2.640 on 8 November 2007, being the Invitation Date, and HK\$2.628, being the average closing price of the Shares on the 5 trading days immediately prior to the Invitation Date.

Based on the subscription price of HK\$2.12 per Share, 4,200,000 Shares amounted to HK\$8,904,000 in aggregate value.

Assuming there is no change in the issued share capital of the Company after the Latest Practicable Date, the total number of 4,200,000 Shares when issued will represent approximately 0.1741% of the existing issued share capital of the Company and 0.1738% of the issued share capital of the Company as enlarged by such issue.

None of the three Directors are entitled to apply for a Plan Loan under the Share Subscription and Financing Plan.

### INFORMATION ABOUT THE GROUP

The Group is engaged in publishing and printing newspapers, magazines and books. It is also engaged in the sale of newspaper and magazine advertising spaces, printing and reprographic services, delivery of internet content and sale of website advertising space.

### REASONS FOR THE INVITATIONS

The purpose of the Share Subscription and Financing Plan is to recognise the contributions of Eligible Persons, to seek to retain them for the continued operation and development of the Group and to attract suitable personnel for the further development of the Group. Through the Share Subscription and Financing Plan, Eligible Persons are encouraged to re-invest part of their remuneration by way of equity participation into the Company, thus closely aligning their goals and interests with those of the Company and its Shareholders as a whole. The Relevant Invitations were made to the three Directors with a view to achieve the above.

Application will be made to the Stock Exchange for listing of and permission to deal in the Shares under the Relevant Invitations.



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## LETTER FROM THE BOARD

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### DILUTION EFFECT ON THE SHAREHOLDING INTERESTS OF THE EXISTING SHAREHOLDERS

The shareholding structure of the Company immediately before and after the subscription of new Shares in full under the Relevant Invitations and the Invitations made to the 111 other Eligible Persons are set out below.

Name	<b>Shareholding structure of the Company (Note 1)</b>			
	<b>As at the Latest Practicable Date</b>		<b>Immediately upon the subscription of new Shares in full under the Relevant Invitations and the Invitations made to 111 other Eligible Persons</b>	
	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>
Mr. Lai and his associates	1,786,133,165	74.06	1,786,133,165	72.66
The three Directors under the Relevant Invitations:				
Mr. Tung Chuen Cheuk and his associates	3,502,800	0.145	5,152,800	0.21
Mr. Ip Yut Kin and his associates	12,830,377	0.532	13,890,377	0.57
Mr. Ting Ka Yu, Stephen	90,314	0.003	1,580,314	0.06
Sub-total	16,423,491	0.68	20,623,491	0.84
Directors other than Mr. Lai and the three Directors and their respective associates	1,800,000	0.07	1,800,000	0.07
Other connected persons of the Company (Note 2)	2,025,800	0.08	2,025,800	0.08
Public:				
Existing public Shareholders	605,446,425	25.11	605,446,425	24.63
Eligible Persons other than the three Directors	—	—	42,178,000	1.72
Total	2,411,828,881	100.00	2,458,206,881	100.00

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## LETTER FROM THE BOARD

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*Notes:*

1. The above figures assume that other than the subscription of new Shares under the Relevant Invitations and the Invitations made to 111 other Eligible Persons, no Shares are issued or purchased by the Company after the Latest Practicable Date up to the date of the subscription of new Shares under the Relevant Invitations.
2. These Shares were transferred by Mr. Lai, Directors, ex-directors and senior management of the Company to approximately 1,500 employees of the Group at that time at nil consideration by way of gift during the period from November 2001 to March 2002. According to a ruling of the Stock Exchange in 2003, such Shares are not considered as held in public hands for the purpose of Rule 8.08 of the Listing Rules.

As shown in the above table, the shareholding interests of the existing public Shareholders would be slightly diluted from approximately 25.11% to approximately 24.63% after the subscription of new Shares in full under the Relevant Invitations and the Invitations made to 111 other Eligible Persons. Nevertheless, having considered that the Relevant Invitations were made in line with the purpose of the Share Subscription and Financing Plan and the dilution effect is immaterial, the Directors (including the independent non-executive Directors) are of the view that such dilution effect on the shareholding of the Company after the subscription of new Shares in full under the Relevant Invitations and the Invitations made to 111 other Eligible Persons is fair and reasonable.

### **GENERAL**

As the Directors are connected persons of the Company for the purpose of Chapter 14A of the Listing Rules, the Relevant Invitations were made subject to compliance with the requirements of Chapter 14A of the Listing Rules. The Invitations will be voted on by way of poll by Independent Shareholders at the EGM pursuant to Rule 13.39(4) of the Listing Rules.

As at the Latest Practicable Date, Mr. Tung Chuen Cheuk and his associates held 3,502,800 Shares, Mr. Ip Yut Kin and his associates held 12,830,377 Shares and Mr. Ting Ka Yu, Stephen held 90,314 Shares. The three interested Directors, Mr. Tung Chuen Cheuk, Mr. Ip Yut Kin and Mr. Ting Ka Yu, Stephen will abstain from voting on each of the ordinary resolutions regarding the Relevant Invitations at the EGM.

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## LETTER FROM THE BOARD

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### EGM

The notice of the EGM is set out on pages 27 to 28 of this circular. A form of proxy for use at the EGM is enclosed.

The Register of Members of the Company will be closed from Thursday, 10 January 2008 to Monday, 14 January 2008, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Wednesday, 9 January 2008.

### PROCEDURES FOR DEMANDING POLL

Pursuant to Article 61 of the Articles of Association, at any general meeting of the Company, a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by:

- (a) the chairman of the general meeting; or
- (b) at least three Shareholders present in person or by proxy and entitled to vote; or
- (c) any Shareholder(s) present in person or by proxy and representing in aggregate not less than one-tenth of the total voting rights of all Shareholders having the right to attend and vote at the meeting; or
- (d) any Shareholder(s) present in person or by proxy and holding Shares conferring a right to attend and vote at the general meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all Shares conferring that right; or
- (e) if required by the Listing Rules, by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five percent (5%) or more of the total voting rights at such meeting.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the view that the Relevant Invitations are in the interest of the Company and its Shareholders as a whole and their terms are fair and reasonable. Accordingly, the Directors recommend that you vote in favour of the ordinary resolutions to be proposed at the EGM.

Your attention is drawn to the letter from the Independent Board Committee set out on page 11 of this circular which contains its recommendation to the Independent Shareholders. Your attention is also drawn to the letter of advice from the Independent Financial Adviser as set out on pages 12 to 19 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders.

Yours faithfully,  
By order of the Board  
**Ting Ka Yu, Stephen**  
*Director*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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# **NEXTmedia**

## **NEXT MEDIA LIMITED**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 0282)**

19 December 2007

*To the Independent Shareholders*

Dear Sir or Madam,

### **CONNECTED TRANSACTIONS**

### **INVOLVING INVITATIONS MADE TO**

### **CONNECTED PERSONS OF THE COMPANY**

We have been appointed as the Independent Board Committee to advise you in connection with the Relevant Invitations, details of which are set out in the letter from the Board in a circular dated 19 December 2007 issued by the Company to the Shareholders (the “Circular”), of which this letter forms a part. Terms used in this letter have the meanings as ascribed to them in the Circular unless the context otherwise requires.

Your attention is drawn to the letter from KGI Capital containing its advice to us regarding the Relevant Invitations as set out on pages 12 to 19 of the Circular. Having considered the advice given by KGI Capital and the principal factors and reasons taken into consideration by it in arriving at its advice, we are of the opinion that the Relevant Invitations are in the interests of the Company and its Shareholders as a whole and their terms are fair and reasonable so far as the Shareholders are concerned. Accordingly, we recommend the Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Relevant Invitations.

Yours faithfully,

For and on behalf of

Independent Board Committee

**Yeh V-Nee, Fok Kwong Hang, Terry, Kao Kuen, Charles**

*Independent Non-executive Directors*

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## LETTER FROM KGI CAPITAL

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*Set out below is the text of the letter of advice from KGI Capital Asia Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, prepared for inclusion in this circular.*



### **KGI Capital Asia Limited**

27/F, ICBC Tower,  
Citibank Plaza  
3 Garden Road  
Central Hong Kong

Tel: 2878 6888

Fax: 2970 0080

19 December 2007

To the Independent Board Committee and the Independent Shareholders  
Next Media Limited  
8 Chun Ying Street  
Tseung Kwan O Industrial Estate West  
Tseung Kwan O, New Territories,  
Hong Kong.

Dear Sirs and Madam,

### **CONNECTED TRANSACTIONS INVOLVING INVITATIONS MADE TO CONNECTED PERSONS OF THE COMPANY**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the connected transactions involving invitations made to connected persons of the Company, particulars of which are set out in the “Letter from the Board” (the “Letter”) contained in the circular dated 19 December 2007 (the “Circular”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

As referred to in the Letter, on 8 November 2007, invitations were made to Mr. Tung Chuen Cheuk, Mr. Ip Yut Kin and Mr. Ting Ka Yu, Stephen, three executive Directors of the Company, inviting them to subscribe for a total of 4,200,000 Shares at a subscription price of HK\$2.12 each under the Share Subscription and Financing Plan, subject to certain vesting conditions and

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## LETTER FROM KGI CAPITAL

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compliance by the Company with the requirements under Chapter 14A of the Listing Rules and certain vesting conditions. As the Directors are connected persons of the Company under Chapter 14A of the Listing Rules, the Relevant Invitations are subject to the approval by the Independent Shareholders at the EGM by way of poll.

### **THE INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee, comprising all three independent non-executive Directors, namely Mr. Yeh V-Nee, Mr. Fok Kwong Hang, Terry and Dr. Kao Kuen, Charles, has been established to consider the terms of the Relevant Invitations and to advise the Independent Shareholders as to whether the terms of the Relevant Invitations are fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole.

We, KGI Capital Asia Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether or not the terms of the Relevant Invitations are fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole.

### **BASIS OF OUR OPINION**

In formulating our opinion and recommendation, we have relied on the information, financial information and facts supplied to us and representations expressed by the Company, its Directors and/or the management of the Company and have assumed that all such information, financial information, facts, statements of belief, opinion and intention and any representation made to us, or referred to in the Circular, in all material aspect, are true, accurate and complete as at the time they were made and as at the date of the Circular and shall continue to be true, accurate and complete at the date of the EGM, and has been properly extracted from the relevant underlying accounting records (in the case of financial information) and made after due and careful inquiry by the Company and/or the management of the Company, and are based on honestly-held opinions. The Directors and/or the management of the Company have confirmed that, having made all reasonable enquiries and to the best of their knowledge and belief, all relevant information has been supplied to us and that no material facts have been omitted from the information supplied and representations expressed to us. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable. We have also assumed that all statement of intention of the Company, its Directors and management of the Company as set out in the Circular will be implemented. We have no reason to doubt the completeness, truth or accuracy of the information and facts provided to us and we are not aware of any facts or circumstances which would render such information provided and representations made to us untrue, inaccurate or misleading.

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## LETTER FROM KGI CAPITAL

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In formulating our opinion, we have obtained and reviewed relevant information and documents provided by the Company and its Directors and management of the Company in connection with the transactions and discussed with the management of the Company so as to assess the fairness and reasonableness of the terms of the Relevant Invitations. Relevant information and documents included, among other things, the Rules of Share Subscription and Financing Plan, the Invitations to the three Directors, the Invitations to certain eligible employees as samples, the annual report of the Company for the year ended 31 March 2007 (the “Annual Report”). We believe that we have reviewed sufficient information to enable us to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion regarding the terms of the Relevant Invitations. We consider that we have taken all reasonable steps as required under the Rule 13.80 of the Listing Rules including its notes to formulate our opinion and advice. We have not, however, carried out any independent verification of the information and representations provided to us by the management of the Company and the Directors nor have we conducted any form of independent investigation into the businesses and affairs, financial position or the future prospects of the Company or its subsidiaries or associated companies. We have not studied, investigated nor verified the validity of all the legal aspects of, and procedural aspects for, the making of the Relevant Invitations.

Our opinion is necessarily based upon the financial, economic, market, regulatory and other conditions as they existed on, and the facts, information, representations and opinions made available to us as of, the Latest Practicable Date. Our opinion does not in any manner address the Company’s own decision to proceed with the making of the Relevant Invitations. We disclaim any undertaking or obligation to advise any person of any change in any fact or matter affecting the opinion expressed herein, which may come or be brought to our attention after the Latest Practicable Date. Except for its inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose, without our prior written consent.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Relevant Invitations, we have taken the following principal factors and reasons into consideration:

#### **1. Background**

##### *Information on the Group*

The Group is principally engaged in publishing and printing newspapers, magazines and books. It is also engaged in the sale of newspaper and magazine advertising spaces, printing and reprographic services, delivery of internet content and sale of website advertising space.



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## LETTER FROM KGI CAPITAL

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### *Terms of the Relevant Invitations*

Reference is made to the announcements of the Company dated 29 October 2007 and 8 November 2007 in relation to the Share Subscription and Financing Plan adopted on 29 October 2007. Pursuant to the Share Subscription and Financing Plan, Eligible Person means any employee (whether full time or part time), executive or officer, director (including any executive and non-executive) of any member of the Group, who holds salaried employment with the relevant member of the Group, who, in the sole discretion of the Board, has contributed or may contribute to the growth and development of the Group. Eligible Persons may be invited to subscribe for new Shares, and with an alternative for the relevant Eligible Persons to apply for a loan from the relevant Group Company in respect of all or part of the subscription price, except that a person who is a director of the relevant Group Company cannot apply for a Plan Loan. As stated in the announcement of the Company dated 8 November 2007, Invitations were made on 8 November 2007 to 111 Eligible Persons and the three Directors in respect of a total of 46,378,000 Shares at a subscription price of HK\$2.12 per Share under the Share Subscription and Financing Plan. The Directors confirmed that all of the Eligible Persons and the three Directors have already accepted the Invitations in respect of 42,178,000 Shares and 4,200,000 Shares respectively as at the date of the Latest Practicable Date.

As stated in the section headed “Invitations” of the Letter, the subscription price of HK\$2.12 per Share represents a discount of approximately 19.7% to the higher of the closing price of the Shares of HK\$2.640 on 8 November 2007, being the Invitation Date, and HK\$2.628, being the average closing price of the Shares on the 5 trading days immediately prior to the Invitation Date. In addition, the subscription price of HK\$2.12 per Share represents a premium of approximately 52.5% over the audited consolidated net asset value per Share of the Company as at 31 March 2007 of approximately HK\$1.39 per Share.

The number of Shares under the Relevant Invitations for Mr. Tung Chuen Cheuk, Mr. Ip Yut Kin and Mr. Ting Ka Yu, Stephen is 1,650,000 Shares, 1,060,000 Shares and 1,490,000 Shares respectively. As advised by the Directors, the number of Shares under the Relevant Invitations is calculated with reference to their annual remuneration package. We have checked the calculation on the correlation between the number of Shares under the Relevant Invitations and the annual remuneration package of each of the three Directors and found that the calculation is correct. The Directors also confirmed that such basis of calculation is also applied to the Invitations made to the other 111 Eligible Persons.

The Relevant Invitations are subject to vesting conditions that the invitees will be entitled to subscribe for one-third of the Shares under his invitation after the first anniversary of the Invitation Date, one-third of the Shares after the second anniversary and the remaining after the third anniversary.

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## LETTER FROM KGI CAPITAL

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Having considered (i) all 111 other Eligible Persons have already accepted the Invitations in respect of 42,178,000 Shares; (ii) the three Directors under the Relevant Invitations are entitled to subscribe for new Shares under the same subscription price and vesting conditions as the other Eligible Persons; (iii) the subscription price of HK\$2.12 represents a premium of approximately 52.5% over the audited consolidated net asset value per Share of the Company as at 31 March 2007; and (iv) none of the Directors are entitled to apply for a Plan Loan under the Share Subscription and Finance Plan while Eligible Persons (exclude the director of the relevant Group Company) are entitled to apply for the Plan Loan, we are of the view that the terms of the Relevant Invitations are fair and reasonable, and in the interests of the Company and the Independent Shareholders as a whole.

### **2. Rationale for making Invitations to the three Directors**

#### ***Profiles of the three Directors***

According to the Annual Report, the profiles of Mr. Tung Chuen Cheuk, Mr. Ip Yut Kin and Mr. Ting Ka Yu, Stephen are extracted as below respectively:

Mr. Tung Chuen Cheuk, is currently the Chairman of *Apple Daily*, and he has been a Director of the Company since June 2003.

Mr. Ip Yut Kin, a Director of the Company since November 2001, is currently the Chairman of *Taiwan Apple Daily* and *Taiwan Next Magazine*. Mr. Ip oversees the operations of these two publications in Taiwan.

Mr. Ting Ka Yu, Stephen, a Director of the Company since October 1999, is currently the Chief Executive Officer of the Group. Mr. Ting is responsible for implementation of the strategies of the Group and takes charge of its day-to-day management and operations.

#### ***Reasons and consideration for the Relevant Invitations***

As stated in the Letter, the purpose of the Share Subscription and Financing Plan is to recognize the contributions of Eligible Persons (including employees and directors of the relevant Group Company), to seek to retain them for the continued operation and development of the Group and to attract suitable personnel for the further development of the Group. Through the Share Subscription and Financing Plan, Eligible Persons are encouraged to re-invest part of their remuneration by way of equity participation into the Company, thus closely aligning their goals and interests with those of the Company and its Shareholders as a whole. The Relevant Invitations were made to the three Directors with a view to achieve the above.

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## LETTER FROM KGI CAPITAL

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Based on the annual reports of the Company for the two years ended 31 March 2007, the net profit of the Group for the three years ended 31 March 2007 was approximately HK\$104 million, approximately HK\$441 million and approximately HK\$342 million respectively. We note that all of the three Directors, who are entitled to subscribe for new Shares under the Relevant Invitations, had continuously been a Director of the Company for the three years ended 31 March 2007. We have discussed with the Company and the Company confirmed that the three Directors are one of the important drivers of the Group's performance. The Company further confirmed that the three Directors are in charge of the respective business units of the Group. According to the Annual Report, Mr. Tung Chuen Cheuk is the Chairman of *Apple Daily*, Mr. Ip Yut Kin is the Chairman of *Taiwan Apple Daily* and *Taiwan Next Magazine*, and Mr. Ting Ka Yu, Stephen is responsible for the implementation of the strategies of the Group. The Company considered that they dedicated their time and contributed to the profitability of the Group for the three years ended 31 March 2007. Therefore, the making of the Relevant Invitations to the three Directors is in line with the purpose of the Share Subscription and Financial Plan.

The Group is principally engaged in publishing and printing newspapers, magazines and books. The Directors considered that the Company operates in a local market where it competes for a limited resource of talented executives. The Group recognizes that the Company needs high quality and committed people in order to achieve its business objectives and for the future development of the Group. In this regard, we are of the view that in order to enable the the Company to attract and retain executives of high caliber for the future development of the Group, it is reasonable for the Company to make the Relevant Invitations to Mr. Tung Chuen Cheuk, Mr. Ip Yut Kin and Mr. Ting Ka Yu, Stephen under the Share Subscription and Financing Plan.

### **3. Possible financial impacts of the Relevant Invitations**

#### ***Effects on income statement***

According to the Directors, the making of the Relevant Invitations will incur an expense of share based payment charged to the income statement of the Company in subsequent financial years starting from the financial year ending 31 March 2008 in accordance with relevant accounting standards, and such amount of expense is yet to be determined as at the Latest Practicable Date. The Directors confirmed that valuation of such amount of expense will be carried out by an independent valuer by the end of the financial year ending 31 March 2008.

## LETTER FROM KGI CAPITAL

### *Effects on working capital and net asset value*

Upon the subscription of new Shares under the Relevant Invitations by the three Directors, it will generate a maximum cashflow of HK\$8,904,000 (before expenses) to the Company. Accordingly, we are of the view that the working capital of the Group would be enhanced upon the subscription of new Shares in full by the three Directors under the Relevant Invitations. In addition, the consolidated net asset value of the Group would also be increased upon the subscription of new Shares in full by the three Directors under the Relevant Invitations.

#### 4. Dilution effect on the shareholding interests of the existing public Shareholders

The Directors confirmed that the shareholding structure of the Company before and after the subscription of new Shares in full under the Relevant Invitations and the Invitations made to the other 111 Eligible Persons are set out below:

Name	<b>Shareholding structure of the Company (Note 1)</b>			
	<b>As at the Latest Practicable Date</b>		<b>Immediately upon the subscription of new Shares in full under the Relevant Invitations and the Invitations made to the other 111 Eligible Persons</b>	
	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>
Mr. Lai Chee Ying, Jimmy and his associates	1,786,133,165	74.06	1,786,133,165	72.66
The three Directors under the Relevant Invitations:				
Mr. Tung Chuen Cheuk and his associates	3,502,800	0.145	5,152,800	0.21
Mr. Ip Yut Kin and his associates	12,830,377	0.532	13,890,377	0.57
Mr. Ting Ka Yu, Stephen	90,314	0.003	1,580,314	0.06
Sub-total	16,423,491	0.68	20,623,491	0.84
Directors other than Mr. Lai Chee Ying, Jimmy and the three Directors and their respective associates	1,800,000	0.07	1,800,000	0.07
Other connected persons of the Company (Note 2)	2,025,800	0.08	2,025,800	0.08
Public:				
Existing public Shareholders	605,446,425	25.11	605,446,425	24.63
Eligible Persons other than the three Directors	–	–	42,178,000	1.72
<b>Total</b>	<b>2,411,828,881</b>	<b>100.00</b>	<b>2,458,206,881</b>	<b>100.00</b>

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## LETTER FROM KGI CAPITAL

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*Notes:*

1. The above figures assume that other than the subscription of new Shares under the Relevant Invitations and the Invitations made to the other 111 Eligible Persons, no Shares are issued or purchased by the Company after the Latest Practicable Date up to the date of the subscription of new Shares under the Relevant Invitations.
2. Those shares were transferred by Mr. Lai Chee Ying, Jimmy, directors, ex-directors and senior management of the Company to approximately 1,500 employees of the Group at that time at nil consideration by way of gift during the period from November 2001 to March 2002. According to a ruling of the Stock Exchange in 2003, such shares are not considered as held in public hands for the purpose of Rule 8.08 of the Listing Rules.

As shown in the above table, the shareholding interests of the existing public Shareholders would be slightly diluted from approximately 25.11% to approximately 24.63% after the subscription of new Shares in full under the Relevant Invitations and the Invitations made to the other 111 Eligible Persons. Nevertheless, having considered that the Relevant Invitations are made in line with the purpose of the Share Subscription and Financial Plan and the dilution effect is immaterial, we are of the view that such dilution effect on the shareholding after the subscription of new Shares in full under the Relevant Invitations and the Invitations made to the other 111 Eligible Persons is acceptable.

### RECOMMENDATION

Having considered the above principal factors and reasons, we consider that the terms of the Relevant Invitations are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole, so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders and recommend the Independent Shareholders to vote in favour of the ordinary resolutions to approve the Relevant Invitations which will be proposed at the EGM.

Yours faithfully,

For and on behalf of

**KGI Capital Asia Limited**

**Laurent Leung**

*Director*

**Jimmy Chan**

*Senior Vice President*

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular with regard to the Company and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this circular 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 contained herein misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Interests and short positions of the Directors and the chief executive of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any its associated corporations (within the meaning of part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or decided to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein or were required, pursuant to part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange:

#### (i) Long positions in the Shares:-

##### *Interests in Shares of the Company*

Name of Director/ Chief Executive	Personal interests	Number of Shares			Total Shares	Percentage of issued share capital (note 1)
		Family interests	Corporate interests	Other interests		
Mr. Lai	1,720,594,935	–	1,000,000	64,538,230	1,786,133,165	74.057
Mr. Ting Ka Yu, Stephen	90,314	–	–	–	90,314	0.003
Mr. Ip Yut Kin	10,200,377	2,630,000	–	–	12,830,377	0.532
Mr. Tung Chuen Cheuk	3,472,800	30,000	–	–	3,502,800	0.145
Mr. Yeh V-Nee	300,000	–	–	–	300,000	0.012
Mr. Fok Kwong Hang, Terry	1,500,000	–	–	–	1,500,000	0.062

*Interests in shares of an Associated Corporation***Apple Daily Publication Development Limited (“ADPDL”)**

Name of Director/ Chief Executive	Personal interests	Number of shares			Total Shares	Percentage of issued share capital <i>(note 2)</i>
		Family interests	Corporate interests	Other interests		
Mr. Ting Ka Yu, Stephen	100,000	–	–	–	100,000	0.937
Mr. Ip Yut Kin	100,000	–	–	–	100,000	0.937
Mr. Tung Chuen Cheuk	50,000	–	–	–	50,000	0.469

**(ii) Long position in the underlying Shares/equity derivatives:–***Interests in the underlying Shares/equity derivatives of the Company*

Name of Director/ Chief Executive	Interests in underlying Shares/equity derivatives	Total Shares	Percentage of issued share capital <i>(note 1)</i>
Mr. Ting Ka Yu, Stephen	5,118,000 <i>(note 3)</i> 1,490,000 <i>(note 4)</i>	6,608,000	0.274
Mr. Ip Yut Kin	1,060,000 <i>(note 4)</i>	1,060,000	0.044
Mr. Tung Chuen Cheuk	3,000,000 <i>(note 3)</i> 1,650,000 <i>(note 4)</i>	4,650,000	0.193

*Interests in the underlying shares/equity derivatives of an Associated Corporation*

**ADPDL**

<b>Name of Director/ Chief Executive</b>	<b>Interests in underlying Shares/equity derivatives</b>	<b>Total Shares</b>	<b>Percentage of issued share capital (note 2)</b>
Mr. Ip Yut Kin	100,000 (note 5)	100,000	0.937
Mr. Tung Chuen Cheuk	4,172 (note 6)	4,172	0.039

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interest in any securities of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of listed companies as set out in the Listing Rules to be notified to the Company and the Stock Exchange.

**(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO**

As at the Latest Practicable Date, according to the register kept by the Company pursuant to Section 336 of SFO, and so far as is known to any Directors or chief executive or the Company, the following persons, in addition to those interests disclosed above in respect of the Directors, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of the Divisions 2 and 3 of part XV of the SFO, or who was directly and indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group:

<b>Name of Shareholder</b>	<b>Number of Shares/ underlying Shares held</b>	<b>Percentage of issued share capital (note 1)</b>
Li Wan Kam, Teresa	1,786,133,165 (note 7)	74.057



*Notes:*

1. The number of issued Shares of the Company as at the Latest Practicable Date was 2,411,828,881.
2. The number of issued shares of ADPDL as at the Latest Practicable Date was 10,670,000 shares of HK\$0.01 each.
3. These interests represent the share options granted by the Company under its 2000 share option scheme to the Director as beneficial owner.
4. These interests represent the Shares covered by the Relevant Invitation issued to the Director on 8 November 2007 to subscribe for Shares of the Company at a subscription price of HK\$2.12 each, subject to certain vesting conditions and compliance by the Company with the requirements under Chapter 14A of the Listing Rules.
5. These interests represent the share options granted by ADPDL under its 2002 share option scheme to the Director as beneficial owner.
6. These interests represent the share options granted by ADPDL under its 2007 share option scheme to the Director as beneficial owner.
7. These interests represent the same total number of Shares held by Mr. Lai as disclosed in the above section under “Interests in Shares of the Company” under 2(a)(i).

**(c) As at the Latest Practicable Date:**

- (i) none of the Directors had any direct or indirect interest in any assets which had been, since 31 March 2007, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group;
- (ii) none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group; and
- (iii) none of the Directors and their respective associates were interested in any business apart from the Group’s business that was in competition with the Group.

**3. SERVICE CONTRACTS**

None of the Directors has any existing or proposed service contracts with any member of the Group (excluding contracts expiring, or determinable by the Group within one year without payment of compensation other than statutory compensation).

**4. LITIGATION**

Save as disclosed below, neither the Company nor any other members of the Group was engaged in any litigation or claims of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group as at the Latest Practicable Date.

The Group had a dispute with UDL Contracting Limited (“UDL”) as contractor for the construction of a printing facility of a wholly-owned subsidiary of the Company, Apple Daily Printing Limited (“ADPL”), over amounts payable in respect of the construction of the facility. As this dispute is now under arbitration, the final outcome remains uncertain.

UDL has further commenced a separate legal action by filing the writ with indorsement of claim dated 8 June 2007 with the High Court against ADPL and Mr. Lai in respect of the above claim. A judgement in default of notice of intention to defend was entered against ADPL on 27 June 2007 (the “Judgement”), and a statutory demand was served by UDL on ADPL for the sum of approximately HK\$162 million plus interest on 28 June 2007. ADPL’s application for a stay of execution was issued and heard on 3 July 2007. Upon the undertaking by UDL’s solicitors not to enforce the Judgement until the final determination of ADPL’s application to set aside the Judgement, the application for a stay was adjourned sine die with liberty to restore. UDL’s solicitors have also confirmed that they will not take steps to seek liquidation of ADPL until the final determination of ADPL’s application to set aside the Judgement which has fixed to take place on 3 January 2008. In addition, Mr. Lai’s defence was filed on 29 October 2007.

**5. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2007, being the date of the latest published audited accounts of the Company were made up.

**6. EXPERT**

- (a) The following is the qualification of the Independent Financial Adviser, which has given its opinion or advice which is contained in this circular:–

<b>Name</b>	<b>Qualification</b>
KGI Capital Asia Limited	A corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

- (b) As at the Latest Practicable Date, KGI Capital did not have any shareholding, direct or indirect, in the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Group, nor did it have any interest, direct or indirect, in any assets which had, since 31 March 2007, being the date up to which the latest published audited financial statements of the Group were made up, been acquired or disposed of by or leased to the Group, or were proposed to be acquired or disposed of by or leased to the Group.
- (c) KGI Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they appear.

**7. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the Relevant Invitations will be available for inspection during normal business hours on any weekday (except public holidays) at the office of the Company situated at 8 Chun Ying Street, Tseung Kwan O Industrial Estate West, Tseung Kwan O, New Territories, Hong Kong, from the date of this circular, until the date of the EGM.

**8. GENERAL**

- (a) The registered office of the Company is at 8 Chun Ying Street, Tseung Kwan O Industrial Estate West, Tseung Kwan O, New Territories, Hong Kong.
- (b) The Company's share register is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) The qualified accountant of the Company is Ting Ka Yu, Stephen. He is a member of the Institute of Chartered Accountants in Australia.
- (d) The secretary of the Company is Wong Shuk Ha, Cat. She is an associate member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.
- (e) The English text of this circular shall prevail over the Chinese text.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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# **NEXTmedia**

## **NEXT MEDIA LIMITED**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 0282)**

**NOTICE IS HEREBY GIVEN THAT** an Extraordinary General 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, 14 January 2008 at 11:00 a.m. to consider and if thought fit pass, with or without amendments, the following ordinary resolutions:–

### **ORDINARY RESOLUTIONS**

1. **“THAT** the issue and allotment of a maximum of 1,650,000 ordinary shares of HK\$1.00 each in the Company (“Shares”) at HK\$2.12 per Share under the invitation made to Mr. Tung Chuen Cheuk on 8 November 2007 subject to certain vesting conditions as stated in the relevant invitation letter under the share subscription and financing plan adopted by the Company on 29 October 2007 be and is hereby approved and that the directors of the Company be and are hereby authorised generally to sign any documents and take any action as they may consider necessary to implement the transaction.”
2. **“THAT** the issue and allotment of a maximum of 1,060,000 ordinary shares of HK\$1.00 each in the Company (“Shares”) at HK\$2.12 per Share under the invitation made to Mr. Ip Yut Kin on 8 November 2007 subject to certain vesting conditions as stated in the relevant invitation letter under the share subscription and financing plan adopted by the Company on 29 October 2007 be and is hereby approved and that the directors of the Company be and are hereby authorised generally to sign any documents and take any action as they may consider necessary to implement the transaction.”

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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3. “**THAT** the issue and allotment of a maximum of 1,490,000 ordinary shares of HK\$1.00 each in the Company (“Shares”) at HK\$2.12 per Share under the invitation made to Mr. Ting Ka Yu, Stephen on 8 November 2007 subject to certain vesting conditions as stated in the relevant invitation letter under the share subscription and financing plan adopted by the Company on 29 October 2007 be and is hereby approved and that the directors of the Company be and are hereby authorised generally to sign any documents and take any action as they may consider necessary to implement the transaction.”

By Order of the Board  
**Wong Shuk Ha, Cat**  
*Company Secretary*

Hong Kong, 19 December 2007

*Notes:*

1. Any member of the Company entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote instead of such member in accordance with the articles of association of the Company. A proxy need not be a member of the Company.
2. 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 at 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 EGM or any adjournment thereof.
3. The Register of Members of the Company will be closed from Thursday, 10 January 2008 to Monday, 14 January 2008, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM of the Company, all transfers accompanied by the relevant share certificates must be lodged with the Company’s Share Registrars, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not later than 4:00 p.m. on Wednesday, 9 January 2008.