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NEXT MEDIA LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00282)

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED SALE OF REMAINING INTEREST IN ANIMATION BUSINESS

The Group has previously disposed of 70% interest in its animation business to STV, a company 100% beneficially owned by Mr. Lai, being the subject of the Company's announcements dated 10 and 13 June 2011 and circular dated 15 July 2011. On 27 September 2013, AtNext, an indirect wholly owned subsidiary of the Company, entered into the S&P Agreement with STV and Mr. Lai (as the guarantor for the obligations of STV), pursuant to which, AtNext has conditionally agreed to sell and STV has conditionally agreed to purchase the Sale Shares, which represents the remaining 30% equity interest in Colored World, and the Sale Loans at cash Consideration of US\$20.0 million (equivalent to approximately HK\$155.1 million). Immediately following Completion, AtNext will cease to hold any shares in Colored World and thus, members of the Colored World Group will cease to be associated companies of the Group. The principal business activities of the Colored World Group are animation production and the provision of the animation products and related services.

As STV is 100% beneficially owned by Mr. Lai, an executive Director, the Chairman and the controlling Shareholder of the Company holding 1,786,533,165 Shares as at the date of this announcement, representing approximately 73.49% of the total issued Shares, STV is an associate of Mr. Lai and therefore a connected person of the Company. Accordingly, the Proposed Sale constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements. As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Proposed Sale is greater than 5% but less than 25%, the Proposed Sale also constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

As Mr. Lai has a material interest in the Proposed Sale, he and his associates will abstain from voting on the resolution to approve the Proposed Sale and the transactions contemplated thereunder.

A circular containing, among other things, details of the Proposed Sale, the advice of Veda Capital to the Independent Board Committee and the Independent Shareholders relating to the Proposed Sale, the recommendation of the Independent Board Committee to the Independent Shareholders relating to the Proposed Sale, and other necessary information and documents is expected to be despatched to the Shareholders on or before 22 October 2013.

PROPOSED SALE OF REMAINING INTEREST IN ANIMATION BUSINESS

The Group has previously disposed of 70% interest in its animation business to STV, a company 100% beneficially owned by Mr. Lai, being the subject of the Company's announcements dated 10 and 13 June 2011 and circular dated 15 July 2011. On 27 September 2013, AtNext, an indirect wholly owned subsidiary of the Company, entered into the S&P Agreement with STV and Mr. Lai (as the guarantor for the obligations of STV), pursuant to which, AtNext has conditionally agreed to sell and STV has conditionally agreed to purchase the Sale Shares, which represents the remaining 30% equity interest in Colored World, and the Sale Loans at cash Consideration of US\$20.0 million (equivalent to approximately HK\$155.1 million). Immediately following Completion, AtNext will cease to hold any shares in Colored World and thus, members of the Colored World Group will cease to be associated companies of the Group. The principal business activities of the Colored World Group are animation production and the provision of the animation products and related services.

A summary of the principal terms of the S&P Agreement is set out below.

Date	27 September 2013
Parties	(1) AtNext (as vendor) (2) STV (as purchaser) (3) Mr. Lai (as guarantor for the obligations of STV)
Assets to be disposed of	(i) The Sale Shares, being 30 shares of US\$1.0 each in the capital of Colored World, representing 30% of the entire issued share capital of Colored World; and (ii) the Sale Loans. As at the date of this announcement, the principal amount of the Sale Loans owed by Colored World to the Vendor is HK\$34.6 million.
Consideration	<p>The Consideration is US\$20.0 million (equivalent to approximately HK\$155.1 million). The Consideration shall be allocated on the basis that the Sale Loans are sold and purchased at face value at Completion, and the balance of the Consideration shall be attributable to the sale and purchase of the Sale Shares.</p> <p>The Consideration was determined on an arm's length basis with reference to a valuation of the Colored World Group in the amount of US\$10.7 million (equivalent to HK\$83.0 million) as at 31 July 2013 conducted by an independent valuer using market approach and the amount of the Sale Loans.</p> <p>The Consideration will be settled in cash at Completion.</p>
Conditions precedent	<p>Completion of the S&P Agreement is conditional upon:</p> <p>(1) the passing by the Independent Shareholders who are permitted to vote under the Listing Rules of a resolution to approve the S&P Agreement and the transactions contemplated thereby at a general meeting of the Company in accordance with the Listing Rules; and</p>

- (2) the representations, warranties and undertakings made by AtNext under the S&P Agreement remaining true and accurate as at the date of Completion.

If the abovementioned conditions precedent are not fulfilled or waived (except for the Independent Shareholders' approval requirement which cannot be waived) by STV by the Long Stop Date, the S&P Agreement shall terminate and no party to the S&P Agreement shall have any claim against the other parties save for any antecedent breaches of the S&P Agreement.

Completion	Completion will take place on the third business day (or such other date as the parties to the S&P Agreement may agree) after satisfaction or waiver by STV of the abovementioned conditions precedent.
Guarantee	Mr. Lai shall guarantee the due and punctual performance of the obligations of STV under the S&P Agreement.

Immediately following Completion, AtNext will cease to hold any shares in Colored World and thus, members of the Colored World Group will cease to be associated companies of the Group. Pursuant to the Shareholders' Agreement entered into amongst AtNext, STV, Colored World and Mr. Lai on 31 October 2011, the Shareholders' Agreement shall be terminated immediately after Completion.

INFORMATION ON THE COLORED WORLD GROUP

Colored World is a company incorporated in the British Virgin Islands with limited liability and it is an investment holding company. Its subsidiaries are principally engaged in animation production and the provision of the animation products and related services.

The audited net book value of Colored World Group as at 31 March 2013 was net liabilities of HK\$86.3 million.

Set out below is the financial information of the Colored World Group based on its audited consolidated financial statements for the years ended 31 March 2012 and 31 March 2013:

	For the year ended 31 March 2012 Audited (HK\$)	For the year ended 31 March 2013 Audited (HK\$)
Loss before taxation and extraordinary items	(85,624,202)	(100,276,839)
Profit (or loss) after taxation and extraordinary items	147,377,127	(100,276,839)

USE OF PROCEEDS AND FINANCIAL EFFECT OF THE PROPOSED SALE

The Group intends to use the sale proceeds of the Proposed Sale for general working capital purposes. The Group is expected to record an unaudited gain of approximately HK\$118.4 million, which was calculated with reference to the Consideration and the cost of investment of the Sale Shares of approximately HK\$114.7 million which was fully impaired in the accounts of the Group as at 31 March 2013 and the Sale Loans. Such gain will be recognised in the consolidated financial statements of the Group for the year ending 31 March 2014.

REASONS FOR, AND BENEFITS OF, THE PROPOSED SALE

AtNext is an investment holding company and an indirect wholly owned subsidiary of the Company. The Group is mainly engaged in the publication and printing of newspapers, magazines and books in Hong Kong and Taiwan. It also sells advertising space in these and on its Web portals and subscriptions to the Web portals. Furthermore, it provides printing, reprographic and animation services, and delivers Internet contents. The principal business activity of STV is investment holding.

The Colored World Group is principally engaged in animation production and the provision of the animation products and related services. The animation production business is capital intensive. The Group has made substantial investment in manpower and technology for its animation operations. As a result of these investments, the internet businesses division of the Group recorded a segment loss which has grown from HK\$37.0 million (restated) for the year ended 31 March 2012 to HK\$124.5 million for the year ended 31 March 2013. The Proposed Sale will enable the Group to reduce its loss and the proceeds of the Proposed Sale will improve the cash position of the Group.

The Directors (excluding the independent non-executive Directors, whose views are subject to the advice of Veda Capital) is of the view that the S&P Agreement is entered into on normal commercial terms (or better to the Company), and that the terms of the S&P Agreement are fair and reasonable and the S&P Agreement is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As STV is 100% beneficially owned by Mr. Lai, an executive Director, the Chairman and the controlling Shareholder of the Company holding 1,786,533,165 Shares as at the date of this announcement, representing approximately 73.49% of the total issued Shares, STV is an associate of Mr. Lai and therefore a connected person of the Company. Accordingly, the Proposed Sale constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements. As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Proposed Sale is greater than 5% but less than 25%, the Proposed Sale also constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

The EGM will be convened for the purposes of allowing the Independent Shareholders to consider and, if thought fit, approve the Proposed Sale and the transactions contemplated thereunder. As required under the Listing Rules, votes at the EGM shall be taken by way of a poll. As Mr. Lai has a material interest in the Proposed Sale, he and his associates will abstain from voting on the resolution to approve the Proposed Sale and the transactions contemplated thereunder.

The Independent Board Committee has been formed to consider the Proposed Sale and to advise the Independent Shareholders on whether the terms of the Proposed Sale are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders how to vote at the EGM.

Veda Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on whether the terms of the Proposed Sale are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders how to vote at the EGM.

A circular containing, among other things, details of the Proposed Sale, the advice of Veda Capital to the Independent Board Committee and the Independent Shareholders relating to the Proposed Sale, the recommendation of the Independent Board Committee to the Independent Shareholders relating to the Proposed Sale, and other necessary information and documents is expected to be despatched to the Shareholders on or before 22 October 2013.

DEFINITIONS

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

“associate(s)”	the meaning ascribed thereto under the Listing Rules;
“AtNext”	AtNext Limited, a private company incorporated in the British Virgin Islands with limited liability and an indirect wholly owned subsidiary of the Company;
“Board”	the board of directors of the Company;
“Chairman”	the chairman of the Board;
“Colored World”	Colored World Holdings Limited, a private company incorporated in the British Virgin Islands with limited liability and an associated company of the Group;
“Colored World Group”	Colored World and its subsidiaries;
“Company”	Next Media Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Stock Exchange;
“Completion”	completion of the sale and purchase of the Sale Shares and the Sale Loans pursuant to the S&P Agreement;
“Consideration”	US\$20.0 million (equivalent to approximately HK\$155.1 million);
“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting to be held by the Company for the purpose of approving the Proposed Sale;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong;
“Independent Board Committee”	the independent board committee which has been formed by the independent non-executive Directors to advise the Independent Shareholders on the Proposed Sale;

“Independent Shareholders”	Shareholders other than Mr. Lai and his associates;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	30 November 2013, or such other date as AtNext, STV and Mr. Lai may agree in writing;
“Mr. Lai”	Mr. Lai Chee Ying, Jimmy, an executive Director, the Chairman and the controlling Shareholder of the Company holding 1,786,533,165 Shares as at the date of this announcement, representing approximately 73.49% of the total issued Shares;
“Proposed Sale”	the proposed sale of the Sale Shares and the Sale Loans pursuant to the S&P Agreement;
“S&P Agreement”	the sale and purchase agreement dated 27 September 2013 entered into between AtNext as the vendor, STV as the purchaser and Mr. Lai as the guarantor for the obligations of STV in respect of the Proposed Sale;
“Sale Loans”	all outstanding liabilities owed by Colored World to the Vendor as at Completion, which as at the date of this announcement is not more than HK\$34.6 million in principal;
“Sale Shares”	30 shares of US\$1.0 each in the capital of Colored World, representing 30% of the entire issued share capital of Colored World;
“Share(s)”	ordinary share(s) of HK\$1.0 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;
“Shareholder(s)”	holder(s) of the Share(s);
“Shareholders’ Agreement”	shareholders’ agreement dated 31 October 2011 entered into between AtNext, STV, Colored World and Mr. Lai;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“STV”	Sum Tat Ventures Limited, a private company incorporated in the British Virgin Islands with limited liability and 100% beneficially owned by Mr. Lai, who is an executive Director, the Chairman and the controlling Shareholder of the Company;
“US\$”	United States Dollars, the lawful currency of the United States of America;

“Veda Capital” Veda Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Proposed Sale; and

“%” Per cent.

In this announcement, the exchange rate of US\$1.00 to HK\$7.7535 is used for reference only.

By Order of the Board
Cheung Ka Sing, Cassian
*Executive Director and
Chief Executive Officer*

Hong Kong, 27 September 2013

As at the date of this announcement, the Board comprises:

Executive Directors:

Mr. Lai Chee Ying, Jimmy (*Chairman*)
Mr. Cheung Ka Sing, Cassian
Mr. Ting Ka Yu, Stephen
Mr. Ip Yut Kin

Independent Non-executive Directors:

Mr. Fok Kwong Hang, Terry
Mr. Wong Chi Hong, Frank
Dr. Lee Ka Yam, Danny