

**NEXT MEDIA LTD :
THE ROUGH, TOUGH WORLD OF CHAIRMAN JIMMY LAI**

How long Mr Jimmy Lai Chee Ying, Chairman of Next Media Ltd (Code: 282), can continue to subsidise his publicly listed entity, either directly or indirectly, appears to be the 'key' ingredient to bringing this Company round to profitability.

Mr Lai's \$HK200-million loan to Next Media of March 22, 2000 says it all, as far as TARGET is concerned: The traditional bankers of the Next Media Group of Companies are starting to get cold feet (some banks may, already, have contracted an element of cold feet).

That Mr Jimmy Lai is extraordinary, as a businessman, at least, and is somewhat of a success story in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) is legend.

But he has been known to have made tragic mistakes in the past.

One cannot help but wonder whether or not Next Media might be his nemesis.

Next Media, formerly known as Paramount Printing Group Ltd, was acquired by Mr Jimmy Lai and his corporate entities in about October 1999.

Since that date, there have been a number of cash-raising exercises, directly and indirectly, all of which, of course, Mr Jimmy Lai has orchestrated.

Thus far, however, all of his efforts have not resulted in Next Media, making a penny in profits.

The latest cash-raising exercise, of March 22, resulted in Mr Lai entering into a Shareholder's Loan Agreement whereby Mr Lai lent \$HK200 million to the publicly listed Company *'for the development and expansion of the Group's internet related businesses.'*

The Agreement states that the loan will be unsecured, repayable on demand, and interest bearing at 100 basis points below the Best Lending Rate of The Hongkong and Shanghai Banking Corporation Ltd.

Mr Lai has promised not to ask for the return of his money within the 12 months, starting April 17, 2000.

Just 26 days after the Shareholders' Loan Agreement was signed, the Company drew down the entire amount of \$HK200 million.

The only conclusion that one can draw from that action of April 17, 2000 was that the Company needed the money in a hurry.

A question could be posed: For what reason did not the Company's traditional bankers come to the Next Media *'party'* and front up with the \$HK200 million?

The bankers for the Next Media Group of Companies are:

The Hongkong and Shanghai Banking Corporation Ltd
Standard Chartered Bank
Bank of America (Asia) Ltd
The Bank of East Asia Ltd (Code: 23)

On a final point about the \$HK200-million loan by Mr Lai to Next Media is that a question must be raised as to the reason that Mr Lai would ask for the interest factor on his loan to the company that he controls to be a full point below that interest rate, which he could have obtained by placing the money in just about any bank in the HKSAR.

Mr Lai is not known for his philanthropy so that there has to be a reason for his every action.

What Is Next Media ?

Next Media, as a corporate entity, comprises the following publications and websites:

Nature	Content	Domain Name
News and Magazines		
Next Magazine	A weekly magazine focusing on news, lifestyle and entertainment	www.next.com.hk/mag
Easy Finder	A weekly magazine for youth that carries classified advertisements	www.easyfinder.com.hk
Sudden Weekly	A weekly magazine mainly covering news on both entertainers and celebrities	www.sw.com.hk
Eat and Travel Weekly	A weekly magazine on dining and traveling	www.etw.com.hk
Info-tainment and Lifestyle		
Nexttraveler	One-stop destination guide of 50 sites for travelers plus seasonal thematic tour package features	www.nexttraveler.com
Nexteat	A restaurant guide with 1,800-restaurant database and 300 recipes. New features are added regularly	www.nexteat.com
Next photo	Contains a collection of more than 25,000 celebrities' photos with detailed profiles	www.nextphoto.com
Next mobile	Contains the latest news and prices on various mobile phones with occasional auctions held	www.next-mobile.com
Next TV and movie guide	A comprehensive search engine on all the latest TV programs for various stations and cable TV as well as the latest movies showing in Hongkong	www.nexttvguide.com www.nextmedia.com/movie
Next parenting	A comprehensive database on nursing schools, kindergartens, primary schools and international schools as well as the latest education news	www.nextparenting.com

Next-fortune	Contains daily, personalised fortune-telling content as well as major western and Chinese fortune-telling programs	www.next-fortune.com
e-Commerce		
e China Town	A B2B and B2C site selling Chinese-culture products like antique furniture and containing information on Chinese tea, porcelain and paintings	www.e-china-town.com
Nextmotor	The largest second-hand car classified section in Hongkong with 1,800 listings. There is also a comprehensive database of new cars with detailed profiles	www.nextmotor.com
Community Sites		
Nextcard	Contains a collection of 3,000 virtual greeting cards for different occasions such as birthdays, anniversaries and parties	www.nextcard.com
Nextforum	Conducts polls on the hottest topics in town	www.nextmedia.com/nextforum

How many of the above-mentioned websites will survive the winter will be interesting to observe; subscribers may like to look for TARGET's next review of this Company in the year 2001 in order to learn the harsh reality of life when trying to operate websites.

Operating websites, relative to selling ice creams from a barrow in a park, is new; and, there are not many companies that can show a profit from website operation.

Some of the above-mentioned websites of Next Media appear to TARGET to be financial losers from Day One -- and are likely to remain losers in the foreseeable future.

Just the sheer number of staff, required to maintain websites, is daunting, with Next Media supporting more than 600 employees as at March 31, 2000, the 2000 Annual Report of the Company states at Page 25.

Translating the Company's staff into the annual cash requirements to meet the payroll, in the 2000 Financial Year, an amount of about \$HK85.48 million was paid out.

This sum of money was about 5.40 percent less than the \$HK90.36 million that was paid out in the 1999 Financial Year.

At this point, it should be pointed out that Internet advertising income amounted to about \$HK1.20 million in the 2000 Year, compared with zero in the 1999 Year.

The Financials

Due to the fact that Mr Jimmy Lai only acquired control of Next Media in October 1999, plus the fact that the business of the Group of Companies that comprises Next Media has changed, appreciably, since he took control,

financial comparisons, Year-to-Year, have limited value.

However, the 'core' business of the Group, that of Paramount Printing Company Ltd, a wholly owned subsidiary, is seen to have suffered since the coming to power of the Lai Faction as the following illustrates:

Turnover	Financial Year March 31, 2000	Financial Year March 31, 1999
Printing and Reprographic Services	\$HK148,552,063	\$HK217,578,043
Sales of Magazines and Books	\$HK28,881,111	\$HK8,470,920
Magazine Advertising Income	\$HK38,540,452	\$HK12,741,147
Internet Advertising Income	\$HK1,197,599	Nil
Public Relations Services	Nil	\$HK913,196
Interest Income from Bank Deposits	\$HK596,643	\$HK256,679
Total Revenue	\$HK217,767,868	\$HK239,959,985

On the Turnover of \$HK217,171,225 (excluding Interest Income from Bank Deposits), Next Media logged in a Gross Profit of \$HK83,604,204, after Production Costs of \$HK133,567,021 had been subtracted from the Turnover.

The Loss Attributable to Shareholders was \$HK78,470,324, but that figure included a gain of \$HK33,379,851, that gain, being termed '*Other Income*'.

The '*Other Income*' was derived from Mr Jimmy Lai who, through his private company, Next Media International Holdings Ltd, which, as at March 31, 2000, held 1,675,500,000 shares out of an Issued and Fully Paid-Up Share Capital of 2,633,614,505 shares (63.62 percent) '*granted a waiver to the Company in respect of a portion*' of interest, owed to it, amounting to about \$HK21.40 million (Note 1(e) at Page 43 of the 2000 Annual Report).

Without this '*gift*' of \$HK21.40 million from Mr Jimmy Lai, the Bottom Line ... [CLICK TO ORDER FULL ARTICLE](#)

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