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SUN MEDIA GROUP HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

VARIATION OF TERMS OF SUBSCRIPTION AGREEMENT DATED 6 JUNE 2002 AND TERMS OF CONVERTIBLE BOND DUE 2005

The Board refers to the announcements of the Company dated 7 June 2002 and 10 July 2002 in relation to the Subscription Agreement entered into between the Company and the Subscriber relating to the subscription of a series of convertible bonds by the Subscriber to be issued by the Company in the aggregate principal amount of up to US\$26 million in up to 3 tranches. As at the date hereof, the subscription of the Tranche 1 Bonds for the principal amount of US\$6 million has been completed and, out of which, the principal amount of US\$3.5 million has been converted into Shares of the Company in accordance with the terms of the Subscription Agreement.

Pursuant to the Subscriber's request, the Company has on 27 August 2002 agreed with the Subscriber to vary certain terms of the Subscription Agreement and the terms and conditions attached to the Tranche 1 Bonds.

The Board refers to the announcements of the Company dated 7 June 2002 and 10 July 2002 (collectively "**Announcements**") in relation to the Subscription Agreement entered into between the Company and Cosmos Media Investments Limited (the "**Subscriber**") relating to the subscription of a series of convertible bonds by the Subscriber to be issued by the Company in the aggregate principal amount of up to US\$26 million in up to 3 tranches. As at the date hereof, the subscription of the Tranche 1 Bonds for the principal amount of US\$6 million has been completed and, out of which, the principal amount of US\$3.5 million has been converted into Shares of the Company in accordance with the terms of the Subscription Agreement. Terms used in this announcement have the same meaning as defined in the Announcements.

Pursuant to the Subscriber's request, the Company has on 27 August 2002 agreed with the Subscriber to vary certain terms of the Subscription Agreement and the terms and conditions attached to the Tranche 1 Bonds in the following manner:

1. the Subscriber agrees to forfeit its rights to subscribe for the Tranche 2 and Tranche 3 Bonds pursuant to the terms of the Subscription Agreement;
2. the closing price of the Shares of the Company that the bondholders may require the Company to redeem the Bonds in cash if the closing price of the Shares of the Company falls below which for five consecutive days during the Conversion Period shall be lowered from HK\$0.055 to HK\$0.045;

3. the Company agrees to grant to the Subscriber an option (the “**Option**”) to subscribe for additional Shares for a total value of US\$4,000,000 at any time from 27 August 2002 up to and including the Maturity Date of the Tranche 1 Bonds at any of the actual conversion prices of the Tranche 1 Bonds selected by the Subscriber which the holder of the Tranche 1 Bonds has actually adopted as the conversion price of the Tranche 1 Bonds into Shares of the Company.

The maximum number of Shares which may be issued upon full exercise of the Option is 567,272,727 Shares, representing approximately 5.9% of the existing issued share capital of the Company and approximately 5.59% of such issued share capital as enlarged by the issue of such Shares, which Shares, will be issued pursuant to the general mandate granted to the board of Director on 21 August 2002.

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares to be issued upon exercise of the Option.

The Board considers that the variation of the Subscription Agreement and the terms and conditions of the Tranche 1 Bonds in the manner described above, which was arrived at after arm’s length negotiations between the Company and the Subscriber, is fair and reasonable and in the interests of the Company.

Save to the extent mentioned above, all other terms and conditions of the Subscription Agreement and the Tranche 1 Bonds as set out in the Announcements remain unchanged and are in full force and effect.

By Order of the Board

Yang Lan

Chairperson

Hong Kong, 27 August 2002

“Please also refer to the published version of this announcement in The Standard”.