

# NEXTmedia NEXT MEDIA LIMITED

(Incorporated in Hong Kong with limited liability)

## ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2002

### GROUP FINANCIAL HIGHLIGHTS

Results	Unaudited		Unaudited		Ratio Analysis	30 September	31 March
	2002	2001	2002	2001		2002	2002
	HKS'000	HKS'000	HKS'000	HKS'000			(As restated)
Turnover	1,086,126	218,201					
Earnings/(loss) before interest, tax, depreciation and amortisation (excluding impairment loss for fixed assets)	326,510	(34,599)					
Operating profit/(loss)	237,154	(66,226)					
Profit/(loss) for the period	191,031	(74,079)					
Net profit/(loss) margin (before taxation)	21.2%	(32.2%)					
Basic earnings/(loss) per share	15.5 cents	(11.4 cents)					
Fully diluted earnings per share	8.0 cents	N/A					
Current assets			987,239	965,295	<b>Current ratio</b>	2.69	3.41
Non-current assets			2,883,982	2,597,889	<b>Quick ratio</b>	2.50	3.19
Total assets			3,871,221	3,563,184	<b>Gearing ratio</b>	0.082	0.082
Current liabilities			366,984	282,714			
Non-current liabilities			282,686	249,786			
Minority interests			2,125	2,348			
Total liabilities			651,795	534,848			
Net assets			3,219,426	3,028,336			

The Board of Directors of Next Media Limited (the "Company") is pleased to announce the unaudited interim results for the six months ended 30 September 2002 of the Company and its subsidiaries (the "Group"). The interim results have been reviewed by the Company's audit committee and the Company's auditors.

### CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2002

	Note	Unaudited	
		2002	2001
		HKS'000	HKS'000
Turnover	2	1,086,126	218,201
Production costs		(551,798)	(165,602)
Gross profit		534,328	52,599
Other revenues	2	12,484	5,317
Personnel costs excluding direct labour		(126,848)	(30,670)
Depreciation		(51,201)	(17,161)
Amortisation of intangible assets		(37,932)	(5,250)
Other administrative expenses		(93,677)	(61,593)
Impairment loss for fixed assets		-	(9,468)
Operating profit/(loss)	4	237,154	(66,226)
Finance costs		(6,529)	(4,011)
Profit/(loss) before taxation		230,625	(70,237)
Taxation	5	(39,817)	(3,590)
Profit/(loss) after taxation		190,808	(73,827)
Minority interests		223	(252)
Profit/(loss) for the period		191,031	(74,079)
Basic earnings/(loss) per share	6	15.5 cents	(11.4 cents)
Fully diluted earnings per share	6	8.0 cents	N/A

### NOTES TO CONDENSED INTERIM FINANCIAL ACCOUNTS

#### 1 Basis of preparation and accounting policies

These unaudited condensed consolidated interim accounts ("interim accounts") are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25, "Interim Financial Reporting", issued by the Hong Kong Society of Accountants ("HKSA") and Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

These interim accounts should be read in conjunction with the audited annual accounts for the year ended 31 March 2002.

The accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those used in the annual accounts for the year ended 31 March 2002 except for those changes resulting from the adoption of the following new or revised SSAPs issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2002:

SSAP 1 (revised)	: Presentation of financial statements
SSAP 11 (revised)	: Foreign currency translation
SSAP 15 (revised)	: Cash flow statements
SSAP 25 (revised)	: Interim financial reporting
SSAP 34	: Employee benefits

The adoption of the revised SSAPs 1, 15 and 25 had no impact on the preparation of the interim accounts.

The changes to the Group's accounting policies as a result of adopting the revised SSAP 11 and SSAP 34 and the effect of adopting these changes are set out below:

#### (a) SSAP 11 (revised): Foreign currency translation

On consolidation, the balance sheets of subsidiaries and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss accounts are translated at average rates. Exchange differences are dealt with as movements in reserves.

In prior periods, the profit and loss accounts of foreign enterprises were translated at closing rates. This is a change in accounting policy. However, the results for prior periods have not been restated as the effect of this change is not material to the current or the prior periods.

#### (b) SSAP 34: Employee benefits

Employees' entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

In prior periods, no provision was made for employee annual leave entitlements. The adoption of SSAP 34 has meant that adjustments on provision for employee annual leave entitlements have been made retrospectively so that the comparatives presented have been restated.

This has resulted in an increase of HK\$19,451,000 in the opening balances of accumulated losses as at 1 April 2001 and 2002 representing the provisions for employee annual leave entitlements not previously recognised as at 31 March 2001 and 2002. An increase in current liabilities of HK\$19,451,000 has been reflected in the balance sheet at 31 March 2002.

The profit and loss accounts for the six months ended 30 September 2002 and for the year ended 31 March 2002 have not been restated as the net movements of the provision for employee annual leave entitlements were immaterial.

#### 2 Turnover and revenue

The Group is engaged in the provision of printing and reprographic services, the publication of books, magazines and newspaper, the delivery of Internet content and the sales of advertising space in books, magazines, newspaper and on websites. Revenues recognised during the period are as follows:

	Six months ended 30 September	
	2002	2001
	HKS'000	HKS'000
Turnover		
Sales of newspaper	234,270	-
Sales of books and magazines	142,885	70,373
Newspaper advertising income	413,599	-
Books and magazines advertising income	202,209	53,323
Printing and reprographic services	86,482	90,624
Internet content provision and advertising income	6,681	3,881
	1,086,126	218,201
Other revenues		
Sales of waste materials	3,228	929
Interest income on bank deposits	5,284	142
Editorial services	-	589
Others	3,972	3,657
	12,484	5,317
Total revenues	1,098,610	223,518

#### 3 Segmental information

The Group's major business segments and their corresponding countries of operations are summarised below:

Business segment	Countries of operations
Books and magazines publication	Hong Kong and Taiwan
Newspaper publication	Hong Kong
Books and magazines printing	Hong Kong, North America, Europe and Australasia
Newspaper printing	Hong Kong
Internet content provision and advertising	Hong Kong

All transactions between the business segments are charged at market rates.

#### Analysis of business segment results for the period ended 30 September 2002

	Newspaper publication	Newspaper printing	Books and magazines publication	Books and magazines printing	Internet content provision and advertising	Elimination of inter-segment transactions	Group
Turnover	647,869	159,095	345,094	133,861	6,681	(206,474)	1,086,126
Segment results	142,854	68,704	(1,780)	12,670	2,222	-	224,670
Other revenues							12,484
Operating profit							237,154
Finance costs							(6,529)
Profit before taxation							230,625
Taxation							(39,817)
Profit after taxation							190,808
Minority interests							223
Profit for the period							191,031

Analysis of business segment results for the period ended 30 September 2001

	Newspaper publication	Newspaper printing	Books and magazines publication	Books and magazines printing	Internet content provision and advertising	Elimination of inter-segment transactions	Group
Turnover	123,696	116,413	3,881	(25,789)	-		218,201
Segment results	(53,378)	4,429	(22,594)	-			(71,543)
Operating profit							(66,226)
Finance costs							(4,011)
Loss before taxation							(70,237)
Taxation							(3,590)
Loss after taxation							(73,827)
Minority interests							(252)
Loss for the period							(74,079)

#### Secondary reporting format - geographical segments

	Six months ended 30 September 2002		Six months ended 30 September 2001	
	Turnover	Segment results	Turnover	Segment results
	HKS'000	HKS'000	HKS'000	HKS'000
Hong Kong	963,906	255,107	134,376	(7,370)
Taiwan	60,330	(40,648)	47,253	(68,103)
North America	44,362	6,589	20,425	1,844
Europe	14,995	3,086	9,850	1,270
Australasia	2,533	536	6,297	816
	1,086,126	224,670	218,201	(71,543)
Other revenues		12,484		5,317
Operating profit/(loss)		237,154		(66,226)
4 Operating profit/(loss)				
Operating profit/(loss) is stated after charging the following:				
			Six months ended 30 September	2001
			2002	2001
			HKS'000	HKS'000
Cost of raw materials consumed in production			276,807	78,294
Provisions for bad and doubtful debts			4,897	1,818
Operating lease expenses on:				
Properties			5,462	3,616
Other assets			4,324	1,996
5 Taxation				
The amount of taxation charged to the consolidated profit and loss account comprises:			Six months ended 30 September	2001
			2002	2001
			HKS'000	HKS'000
Hong Kong profits tax			16,068	3,000
Overseas profits tax			23,749	590
Deferred taxation			-	-
			39,817	3,590
Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profit for the period.				
No overseas profits tax has been provided in the accounts since the subsidiaries operating in overseas countries have no assessable profits for the period.				
Deferred taxation charge represents utilisation of tax loss of certain subsidiaries.				
6 Earnings/(loss) per share				
The calculation of the basic and fully diluted earnings/(loss) per share is based on the profit for the period of HK\$191,031,000 (2001: loss of HK\$74,079,000).				
The calculation of basic earnings/(loss) per share is based on the weighted average of 1,233,661,176 ordinary shares (2001: 647,638,762 ordinary shares) in issue. The calculation of fully diluted earnings per share for the period ended 30 September 2002 is based on the weighted average of 1,233,661,176 ordinary shares in issue during the period plus the weighted average of 1,163,102,450 ordinary shares deemed to have been issued at no consideration assuming all outstanding share options had been exercised and all the preference shares had been converted into ordinary shares of the Company.				
No diluted loss per share for the period ended 30 September 2001 has been presented as the effect of the exercise of the share options would be anti-dilutive for that period, and there were no preference shares in issue.				

### REVIEW OF OPERATIONS

#### Financial Results

For the period under review, the total turnover of the Group increased by approximately 397.8% from HK\$218.2 million to HK\$1,086.1 million. Total turnover comprised of HK\$647.8 million, or approximately 59.6% from the Newspaper Publication Division, HK\$16.2 million or approximately 1.5% from the Newspaper Printing Division after elimination of inter-segment transactions, HK\$345.1 million or approximately 31.8% from the Books and Magazines Publication Division, HK\$70.3 million or approximately 6.5% from the Books and Magazines Printing Division after elimination of inter-segment transactions and HK\$6.7 million or approximately 0.6% from the Internet Division.

The unaudited consolidated profit of the Group for the six months ended 30 September 2002 amounted to HK\$191.0 million, as compared to a loss of HK\$74.1 million for the corresponding period of the previous year. The Group's impressive improvement in performance for the six-month period ended 30 September 2002 was mainly attributable to the acquisition of the entire issued share capital of Database Gateway Limited ("DGL") by the Company (the "Acquisition"), which was completed in October 2001. The Acquisition immediately contributed to improving the Group's business portfolio, as well as strengthening its financial position. With four of the most popular weekly magazines in Hong Kong, as well as the second most widely read newspaper in Hong Kong, the Group's publishing businesses have been the biggest revenue generator. This enviable performance was the result of the synergetic effect of the Acquisition.

When compared to the unaudited pro forma combined condensed profit (which were prepared assuming the Acquisition had been completed on or before 1 April 2001) of HK\$51.4 million which was extracted from last year's unaudited interim financial report, the profit for the current period had increased by approximately HK\$139.6 million to HK\$191.0 million. The substantial increase is mainly attributable to the following factors in descending order of importance:

- a significant drop in average paper costs per metric ton by approximately 35.0% leading to a huge saving in paper expense for the newspaper and magazine publication businesses;
- the implementation of cost control measures including downsizing of the Group's work force;
- an improved performance of *Taiwan Next Magazine* as a result of the increase in advertising sales; and
- the effective cost controls and the implementation of a multi-income-stream revenue model within the Internet business which led to its turnaround.

The Newspaper Publication Division and Newspaper Printing Division recorded segment profits of HK\$142.9 million and HK\$68.7 million respectively. The Books and Magazines Publication Division recorded a segment loss of HK\$1.8 million, primarily attributable to the loss of *Taiwan Next Magazine*. The Books and Magazines Printing Division recorded a segment profit of HK\$12.7 million. The Internet Division successfully turned around from a segment loss of HK\$22.6 million last year to record a segment profit of HK\$2.2 million.

#### Newspaper Publication Division

The turnover of the Newspaper Publication Division which was attributable to *Apple Daily* amounted to HK\$647.8 million, representing approximately 59.6% of the Group's total turnover. *Apple Daily* has maintained its position as the second most popular newspaper in Hong Kong. For the six months ended 30 September 2002, *Apple Daily* recorded an average daily circulation of 356,260 copies in audits conducted by the Hong Kong Audit Bureau of Circulation (the "HKABC"). According to the August 2002 ACNielsen Hong Kong Media Index RARD Report (the "ACNielsen RARD Report"), *Apple Daily* had an average readership of 1,404,000.

The Group has planned to launch *Taiwan Apple Daily* in 2003. During the period under review, the Group has incurred approximately HK\$8.1 million in expenses for the preparation of the launching of *Taiwan Apple Daily*.

#### Newspaper Printing Division

The turnover of the Newspaper Printing Division amounted to HK\$159.1 million before the elimination of inter-segment transactions. Approximately 89.8% of the turnover was from *Apple Daily*, whereas approximately 10.2% of its turnover came from external customers, which amounted to HK\$16.2 million.

#### Books and Magazines Publication Division

The Group experienced significant growth of approximately 179.0% in the turnover of the Books and Magazines Publication Division, which was mainly due to the turnover from *Next Magazine*, *Sudden Weekly* and *Eat & Travel Weekly*, three publications acquired through the Acquisition. In addition, *Taiwan Next Magazine*, which was launched on 31 May 2001, contributed a full six-month result to the Books and Magazines Publication Division for the current period. It contributed only a four-month result for the corresponding period of last year.

According to the ACNielsen RARD Report, *Next Magazine*, with an average readership of 420,000, remained No. 1 in terms of readership among all weekly magazines. According to the HKABC, it recorded an average weekly circulation of 142,863 copies during the six months ended 30 June 2002.

*Sudden Weekly* is the second most widely read weekly magazine, with an average readership of 392,000. *Eat & Travel Weekly* has an average readership of 257,000. As a result of the bundling of these two publications, they achieved an average weekly circulation of 179,299 copies for the six months ended 30 June 2002.

*Easy Finder* is ranked third in the market, with an average readership of 347,000 and an average weekly circulation of 93,235 copies for the six months ended 30 June 2002. It continues to be the most popular weekly magazine among young readers.

*Taiwan Next Magazine* sustained its No. 1 position as the most widely read weekly magazine in Taiwan. The magazine was able to maintain the momentum of a steady rise in advertising revenue throughout the period under review. As the Taiwan economy has shown signs of recovery, it is expected that the performance of *Taiwan Next Magazine* will further improve.

#### Books and Magazines Printing Division

The Books and Magazines Printing Division continued to complement the Group's publishing business. For the six-month period ended 30 September 2002, the Division experienced an approximately 15.0% increase in turnover as a result of an increase in printing contracts from external customers. The turnover of the Books and Magazines Printing Division amounted to HK\$133.9 million before the elimination of inter-segment transactions of HK\$63.6 million.

#### Internet Division

During the period under review, the Internet Division successfully turned around. It achieved a segment profit of HK\$2.2 million, as compared to a segment loss of HK\$22.6 million in the six months ended 30 September 2001, which included impairment loss for fixed assets of HK\$9.5 million. This was mainly attributable to the implementation of a multi-income-stream revenue model and tight cost-control measures. Furthermore, no impairment loss for fixed assets was recognised during the current period.

#### LIQUIDITY AND FINANCIAL RESOURCES

The Group finances its operations principally with cash flow generated from its operating activities and banking facilities provided by its principal bankers.

As at 30 September 2002, the Group had available banking facilities totaling approximately HK\$411.9 million, of which approximately HK\$331.0 million had been utilised. All bank borrowings bear interests at floating rates. There is no seasonality of borrowing requirements. The Group's bank borrowings were mainly denominated in Hong Kong Dollars and New Taiwanese Dollars.

As at 30 September 2002, the Group had approximately HK\$567.0 million in cash. The Group's current ratio as at 30 September 2002 was 2.69, as compared to 3.41 as at 31 March 2002. The gearing ratios of the Group, calculated by dividing its long-term liabilities by its shareholders' funds, were both 0.082 as at 30 September 2002 and 31 March 2002.

Long-term liabilities, including current portion, totaled approximately HK\$264.5 million as at 30 September 2002, as compared to HK\$249.8 million as at 31 March 2002. At 30 September 2002, current portion of these long-term liabilities was approximately HK\$64.5 million, as compared to HK\$58.8 million as at 31 March 2002.

#### Pledge of Assets

As at 30 September 2002, the Group's properties in Hong Kong and Taiwan and certain printing equipment with an aggregate net book value of approximately HK\$710.4 million were pledged to various banks as security for bank loans and general banking facilities granted to the Group.

#### Contingent Liabilities

As at 30 September 2002, the Group had contingent liabilities in respect of a number of litigation proceedings in Hong Kong and Taiwan arising in the normal course of its publishing business. In addition, the Group had a dispute with UDL Constructing Limited - the contractor for the construction of the printing facility of a subsidiary, namely Apple Daily Printing Limited, over amounts payable in respect of the construction of the facility, which is currently under arbitration. The final outcome of these proceedings is uncertain.

In connection with the Acquisition, Mr. Lai Chee Ying, Jimmy ("Mr. Lai") has undertaken to provide unlimited personal indemnities (the "Indemnity") to the Group against all payments, claims, suits, damages and settlement payments and associated costs and expenses in relation to certain legal proceedings (including the dispute with UDL Constructing Limited) involving the businesses acquired through the Acquisition. Having taken into consideration the advice of the Group's legal counsel and the Indemnity given by Mr. Lai, the Directors of the Company are of the opinion that any ultimate liability under these proceedings would not have a material impact on the financial position of the Group.

The Company had contingent liabilities in relation to corporate guarantees given by the Company to financial institutions for facilities granted to and utilised by subsidiaries of the Company amounting to HK\$211.4 million.

The Group had contingent liabilities in relation to letters of credit facilities granted by various banks amounting to HK\$59.8 million.

#### Foreign Exchange Exposure

The assets and liabilities of the Group are mainly denominated in either Hong Kong Dollars or New Taiwanese Dollars. The Group has certain exchange exposures for New Taiwanese Dollars, due to its operations in Taiwan. The Group is closely monitoring the overall currency exposure and, when considered appropriate, will hedge against currency exposure.

#### Capital Expenditure

During the six months ended 30 September 2002, the Group's capital expenditure was approximately HK\$378.3 million for the development of its businesses mainly in Taiwan. As at 30 September 2002, the amount of further capital expenditure committed mainly for operations in Taiwan was HK\$301.1 million.

#### Share Capital Structure

There has been no change in the share capital structure of the Company since 1 April 2002.

#### Employees and Remuneration Policy

As at 30 September 2002, the Group employed a total of 2,031 employees. Employees are remunerated on a performance-related basis. Employee remuneration policies are regularly reviewed in the context of individual and business performance, market practice, internal relativities and competitive market pressures.

#### Share Option Schemes

The Company adopted a share option scheme on 20 September 1993 (the "1993 Share Option Scheme"), which will remain in force until 19 September 2003. On 29 December 2000, the Company adopted another share option scheme (the "2000 Share Option Scheme"), which will last for a period of 10 years from 29 December 2000. Since the adoption of the 2000 Share Option Scheme, no further options have been granted under the 1993 Share Option Scheme.

Consequent to amendments to Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") in relation to share option schemes, the Directors of the Company proposed certain amendments to the 2000 Share Option Scheme, which were approved by shareholders of the Company at the extraordinary general meeting held on 31 July 2002. A summary of the amendments to the 2000 Share Option Scheme was sent to shareholders of the Company in a circular dated 15 July 2002. No options were granted, exercised or cancelled and were lapsed during the period.

In addition, two subsidiaries of the Company, namely Next Media Publishing Limited and Apple Daily Publication Development Limited, each adopted a share option scheme on 3