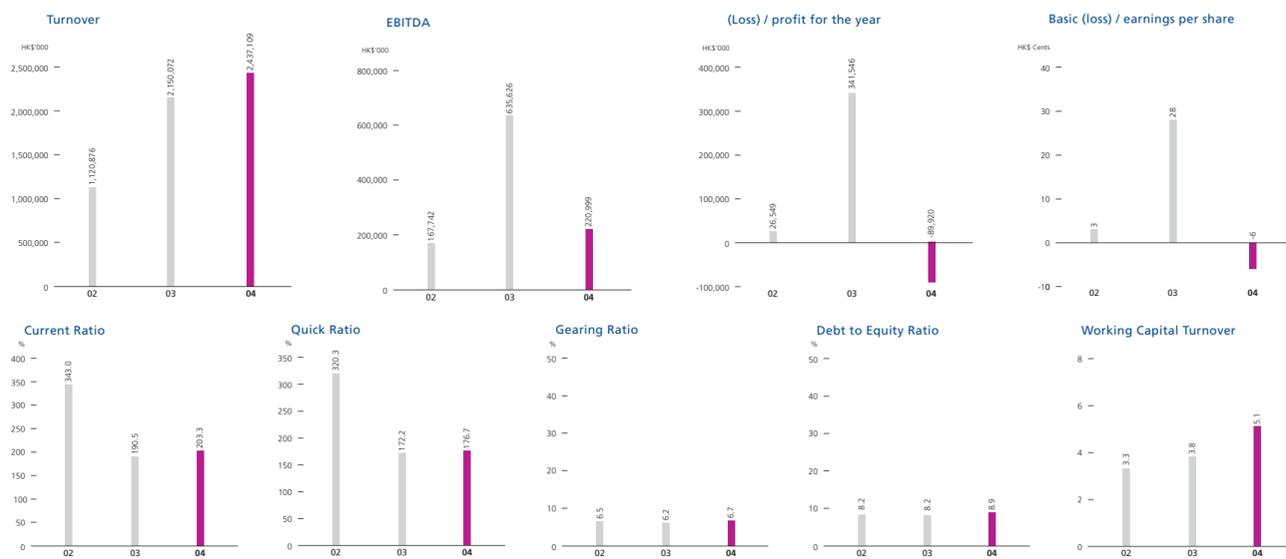


Next Media Limited Results Announcement 2003/04

Financial Highlights



Comparative figures for the years ended 31 March 2002 and 2003 have been restated.

The Board of Directors of Next Media Limited (the "Company" or "Next Media") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2004 together with the comparative figures for the previous year.

Condensed Consolidated Profit and Loss Account

For the year ended 31 March 2004

Note	2004 HK\$'000	Restated (Note 1) 2003 HK\$'000
Turnover	2,437,109	2,150,072
Production costs	(1,605,665)	(1,069,470)
Gross profit	831,444	1,080,602
Other revenues	26,568	22,351
Personnel costs excluding direct production staff costs	(319,218)	(296,782)
Depreciation of fixed assets	(137,856)	(102,848)
Amortisation of intangible assets	(91,539)	(91,538)
Other administrative expenses	(313,755)	(169,580)
Other expenses	(4,076)	(988)
Operating (loss)/profit	(8,432)	441,217
Finance costs	(7,439)	(11,645)
(Loss)/profit before taxation	(15,871)	429,572
Taxation	(74,085)	(88,049)
(Loss)/profit after taxation	(89,956)	341,523
Minority interests	36	23
(Loss)/profit attributable to shareholders	(89,920)	341,546
Dividends	-	-
Basic (loss)/earnings per share	(6 cents)	28 cents
Fully diluted earnings per share	N/A	14 cents

Condensed Consolidated Balance Sheet

As at 31 March 2004

Note	2004 HK\$'000	Restated (Note 1) 2003 HK\$'000
Non-current assets		
Intangible assets	1,574,338	1,665,877
Fixed assets	1,856,620	1,844,258
Deferred taxation	9,481	-
Investments in associated companies	(830)	(830)
	3,439,609	3,509,305
Current assets		
Inventories	128,977	91,741
Accounts receivable, deposits and prepayments	480,497	365,936
Bank balances and cash	373,623	497,167
	983,097	954,844
Current liabilities		
Accounts payable and accrued charges	398,431	395,002
Current portion of long-term liabilities	60,636	70,548
Taxation payable	24,398	35,768
	483,465	501,318
Net current assets	499,632	453,526
	3,939,241	3,962,831
Financed by:		
Share capital	3,088,635	3,263,661
Reserves	236,366	100,415
Shareholders' funds	3,325,001	3,364,076
Minority interests	2,000	2,325
Non-current liabilities		
Long-term liabilities	235,758	205,381
Pensions obligations	13,935	6,747
Deferred taxation	362,547	384,302
	3,939,241	3,962,831

Notes

1. Basis of preparation and accounting policies

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). They have been prepared under historical cost convention except that land and buildings are stated at fair value.

The accounting policies and methods of computation used in the preparation of these audited annual accounts are consistent with those used in the audited annual accounts for the year ended 31 March 2003 except for those changes resulting from the adoption of the revised Statement of Standard Accounting Practice ("SSAP") 12 "Income taxes" issued by the HKSA which is effective for accounting periods commencing on or after 1 January 2003.

The changes to the Group's accounting policies as a result of adopting the revised SSAP12 and the effect of adopting these changes are set out below:

In accordance with the revised SSAP 12, except for deferred tax assets as explained below, deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted at the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and associated companies, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior years, deferred taxation was accounted for at the expected future taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the revised SSAP12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As a result of this change in accounting policy, deferred tax liabilities as at 31 March 2003 have been increased by HK\$303,397,000 (2002: HK\$293,065,000) with corresponding adjustments to:

- (i) increase intangible assets as at 31 March 2003 by HK\$277,391,000 (2002: HK\$293,065,000), representing the effect on temporary differences arising from business combinations in prior years; and,

- (ii) reduce profit for the year ended 31 March 2003 and retained earnings as at 31 March 2003 by HK\$26,006,000 (2002: Nil), representing the increase in the above additional deferred tax liabilities as a result of the change in tax rate from 16% to 17.5% which should have been charged against the consolidated profit and loss account for the year ended 31 March 2003.

Both the amortisation charge for intangible assets and the credit to profit for deferred taxation for the year ended 31 March 2003 increased by HK\$15,674,000 (2002: HK\$7,698,000) with no net effect on the consolidated profit and loss account.

2. Turnover, revenues and segmental information

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

	2004 HK\$'000	2003 HK\$'000
Turnover	2,437,109	2,150,072
Sales of newspapers	565,382	462,883
Sales of books and magazines	317,868	294,130
Newspapers advertising income	929,004	815,277
Books and magazines advertising income	468,063	421,491
Printing and reprographic services income	135,923	141,958
Internet content provision and advertising income	20,869	14,333
	2,437,109	2,150,072
Other revenues		
Sales of waste materials	17,693	6,428
Sales of other publications	-	765
Interest income on bank deposits	2,343	8,904
Rental income	2,063	2,013
Others	4,469	4,241
	26,568	22,351
Total revenues	2,463,677	2,172,423

Analysis of business segment results for the year ended 31 March 2004

	Newspapers publication and printing HK\$'000	Books and magazines publication HK\$'000	Books and magazines printing HK\$'000	Internet content provision and advertising HK\$'000	Elimination of segment transactions HK\$'000	Total HK\$'000
Turnover	1,531,052	785,952	255,968	20,926	(156,789)	2,437,109
Segment results	(192,629)	103,932	44,163	9,534	-	(35,000)
Other revenues	-	-	-	-	-	26,568
Operating loss	-	-	-	-	-	(8,432)
Finance costs	-	-	-	-	-	(7,439)
Loss before taxation	-	-	-	-	-	(15,871)
Taxation	-	-	-	-	-	(74,085)
Loss after taxation	-	-	-	-	-	(89,956)
Minority interests	-	-	-	-	-	36
Loss attributable to shareholders	-	-	-	-	-	(89,920)
Segment assets	3,214,850	794,918	427,705	3,199	(26,617)	4,414,055
Investments in associated companies	-	-	-	-	(830)	(830)
Unallocated assets	-	-	-	-	9,481	9,481
Total assets	-	-	-	-	-	4,422,706
Segment liabilities	(267,447)	(118,881)	(43,010)	(7,025)	26,617	(409,746)
Unallocated liabilities	-	-	-	-	-	(687,959)
Total liabilities	-	-	-	-	-	(1,097,705)
Capital expenditure	(116,457)	(10,276)	(15,066)	(508)	-	(142,307)
Depreciation of fixed assets	(105,083)	(13,953)	(18,613)	(207)	-	(137,856)
Amortisation	(61,991)	(29,548)	-	-	-	(91,539)
Revaluation deficit of fixed assets	(3,839)	-	-	-	-	(3,839)
Other non-cash expenses	(5,225)	(1,165)	(1,141)	(179)	-	(7,710)

Analysis of business segment results for the year ended 31 March 2003 (Restated - Note 1)

	Newspapers publication and printing HK\$'000	Books and magazines publication HK\$'000	Books and magazines printing HK\$'000	Internet content provision and advertising HK\$'000	Elimination of segment transactions HK\$'000	Total HK\$'000
Turnover	1,309,411	715,642	242,080	14,383	(131,444)	2,150,072
Segment results	361,918	25,746	27,567	3,635	-	418,866
Other revenues	-	-	-	-	-	22,351
Operating profit	-	-	-	-	-	441,217
Finance costs	-	-	-	-	-	(11,645)
Profit before taxation	-	-	-	-	-	429,572
Taxation	-	-	-	-	-	(88,049)
Profit after taxation	-	-	-	-	-	341,523
Minority interests	-	-	-	-	-	23
Profit attributable to shareholders	-	-	-	-	-	341,546
Segment assets	3,215,849	894,022	380,010	2,319	(27,221)	4,464,979
Investments in associated companies	-	-	-	-	(830)	(830)
Total assets	-	-	-	-	-	4,464,149
Segment liabilities	(267,219)	(115,260)	(38,327)	(5,545)	27,221	(399,130)
Unallocated liabilities	-	-	-	-	-	(700,943)
Total liabilities	-	-	-	-	-	(1,100,073)
Capital expenditure	(711,566)	(102,875)	(1,277)	(15)	-	(815,733)
Depreciation of fixed assets	(64,270)	(19,335)	(18,073)	(1,170)	-	(102,848)
Amortisation	(61,991)	(29,547)	-	-	-	(91,538)
Other non-cash expenses	477	(2,971)	(570)	1,595	-	(1,469)

Secondary reporting format - geographical segments

	2004		2003	
	Turnover HK\$'000	Segment result HK\$'000	Turnover HK\$'000	Segment result HK\$'000
Hong Kong	1,896,885	498,047	1,929,475	513,189
Taiwan	465,500	(563,839)	130,207	(116,798)
North America	48,176	17,054	64,961	15,065
Europe	20,999	10,808	20,600	5,453
Australasia	5,549	2,930	4,829	1,357
	2,437,109	(35,000)	2,150,072	418,866
Other revenues	26,568	-	22,351	-
Operating (loss)/profit	(8,432)	-	441,217	-

Business Highlights

Taiwan Next Magazine Achieved Break Even

With advertising revenues for the year ended March 2004 showing a year-on-year increase of 84.6%, *Taiwan Next Magazine* broke even on schedule in May 2003. As a result, the title has contributed an encouraging segment profit of some HK\$9.5 million for the year. With readership and advertising revenues growing steadily, year 2005 should see the publication continue to consolidate its position as the most widely read of all weekly magazines in Taiwan.

Taiwan Apple Daily: A Top Title In Taiwan

Since its launch on 2 May 2003, *Taiwan Apple Daily* has built up an average daily circulation of about 406,599 copies for the six months ended December 2003. The encouraging response *Taiwan Apple Daily* has received from readers during its first year has paved the way for increased advertising revenues and improved results for the coming year.

Ad Sales Experienced Strong Post-SARS Recovery

Despite a decline in advertising sales of around 20.1% monthly at the height of the Severe Acute Respiratory Syndrome ("SARS") crisis in April and May 2003, *Apple Daily* recovered strongly after SARS subsided. The total turnover for the year of *Apple Daily* was just slightly lower than the previous year. Other magazines in Hong Kong published by the Group were not materially affected.

HK Weeklies Demonstrated Encouraging Circulation Increases

Easy Finder and *Sudden Weekly* and *Eat & Travel Weekly* bundle (the "Bundle") recorded impressive 27.4% and 3.9% increases in circulation figures following their respective revamps. Figures for *Easy Finder* jumped from 89,219 during the six months ended December 2002 to 113,624 during the six months ended December 2003, while circulation for the Bundle grew from 189,216 to 196,539 during the same period.

	2004		2003	
	Total assets HK\$'000	Capital expenditure HK\$'000	Restated (Note 1) Total assets HK\$'000	Capital expenditure HK\$'000
Hong Kong	3,222,836	27,572	3,501,115	9,646
Taiwan	1,182,462	114,708	958,035	806,063
North America	8,757	27	5,829	24
	4,414,055	142,307	4,464,979	815,733
Investments in associated companies	(830)	-	(830)	-
Unallocated assets	9,481	-	-	-
Total assets	4,422,706	-	4,464,149	-

3. Other expenses

	2004 HK\$'000	2003 HK\$'000
Revaluation deficit of fixed assets	3,839	-
Loss on disposal of fixed assets	237	988
	4,076	988

4. Finance costs

	2004 HK\$'000	2003 HK\$'000
Interest expenses on:		
- Bank borrowings	7,439	12,473
- Others	-	8
Total borrowing costs incurred	7,439	12,481
Less: Interest capitalised in construction in progress	-	(836)
	7,439	11,645

5. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 16%) on the estimated assessable profit for the year. In 2003, the Hong Kong government enacted a change in the profits tax rate from 16% to 17.5% for the fiscal year 2003/2004.

No overseas profits tax has been provided in the accounts since the subsidiaries operating in overseas regions have no assessable profit during the year.

The amount of taxation charged to the consolidated profit and loss account comprises:

	2004 HK\$'000	Restated (Note 1) 2003 HK\$'000
Hong Kong profits tax (Over)/under provision in prior years	106,406	55,552
Deferred taxation relating to the origination and reversal of temporary differences	(31,247)	15,123
- as previously reported	-	(15,674)
- effect of change in accounting policy (Note 1)	-	6,936
Deferred taxation resulting from an increase in tax rate	-	26,006
- as previously reported	-	-
- effect of change in accounting policy (Note 1)	-	26,006
	74,085	88,049

6. (Loss)/earnings per share

The calculation of the basic (loss)/earnings per share is based on the loss for the year of HK\$89,920,000 (2003: profit of HK\$341,546,000, as restated) and the weighted average of 1,410,756,130 ordinary shares (2003: 1,233,661,176 ordinary shares) in issue during the year.

No diluted loss per share for the year ended 31 March 2004 has been presented as the exercise of the conversion rights attached to the preference shares and the exercise of the share options would be anti-dilutive.

The calculation of fully diluted earnings per share for the year ended 31 March 2003 was based on the weighted average of 1,233,661,176 ordinary shares in issue during that year plus the weighted average of 1,162,227,807 ordinary shares deemed to have been issued due to no consideration assuming all outstanding share options had been exercised and all the preference shares had been converted into ordinary shares of the Company.

7. Accounts receivable, deposits and prepayments

	2004 HK\$'000
--	------------------

Management Discussion and Analysis

OPERATIONAL REVIEW – BUSINESS PERFORMANCE

The Group's total turnover reached approximately HK\$2,437.1 million during the year under review, which is the second full year since Next Media's acquisition of Database Gateway Limited and its subsidiaries in October 2001. This figure represents an increase of approximately 13.3% over the approximately HK\$2,150.1 million in turnover recorded during the year ended 31 March 2003. As noted in the Financial Review section of this document, a large portion of this increase was generated by the May 2003 launch of *Taiwan Apple Daily*.

Newspapers Publication and Printing Division

Generating turnover of around HK\$1,531.1 million, the Newspapers Publication and Printing Division continued to be the highest revenue generating division of the Group's operations. The figures for year ended March 2004 represent a 16.9% increase over the approximately HK\$1,309.4 million turnover for the previous financial year.

Apple Daily

During the year under review, *Apple Daily* continued to consolidate its position as Hong Kong's second most popular daily newspaper. This is a considerable achievement in a market as plagued with uncertainty as Hong Kong was during the SARS crisis. The newspaper remains a major contributor to the Group's results due to its mass middle market appeal. *Apple Daily* contributed to a turnover of approximately HK\$1,207.8 million, which represents a slight decline of 5.5% as compared with the turnover of approximately HK\$1,278.0 million figure for the previous year. A reason for the decline in turnover is directly attributable to the loss of advertising revenues the paper suffered when the SARS epidemic was at its height in April and May of 2003.

The 2003 ACNielsen Hong Kong Media Index Year-end Report ("ACNielsen 2003 Report") shows that *Apple Daily* maintained an average readership of around 1,444,000 in 2003. This figure translates into an encouraging 2.5% increase from the approximate 1,409,000 figure achieved in 2002. The Hong Kong Audit Bureau of Circulation ("HKABC") figures for the six months ended December 2003 indicate that *Apple Daily* had an average circulation of 339,989 copies, a slight 1.1% decrease over the 343,660 figure for the corresponding period in the previous year.

Whilst obviously hampered by the SARS epidemic, *Apple Daily's* figures for the year ended March 2004 underlined the paper's pre-eminence in the Hong Kong market. It is again evident that *Apple Daily* remains the first choice newspaper for a broad range of readers with higher education and above average monthly household income levels, as well as its proven appeal for advertisers marketing best-selling branded products and services.

Taiwan Apple Daily

Taiwan Apple Daily has been very well received by the Taiwanese market following its launch on 2 May 2003. Despite the doubling of its special NT\$5 introductory cover price on 1 June 2003, the newspaper has continued to increase its popularity with readers from all walks of life. Total revenue generated by *Taiwan Apple Daily* for the year ended March 2004 was approximately HK\$287.6 million.

According to figures published by The Audit Bureau of Circulations, ROC (the "ROCABC"), *Taiwan Apple Daily* recorded a total circulation of 74,814,208 copies during the period from 1 July to 31 December 2003, representing an average daily circulation of approximately 406,599 copies.

The Group believes that *Taiwan Apple Daily* has much room for future growth. This is especially true of the paper's income from Run-of-page advertising. The paper's 77:23 average editorial to advertising page ratio in March 2004 represented a major increase over the corresponding 89:11 ratio achieved during the first five months of publication. The Group is confident that it can further increase *Taiwan Apple Daily's* number of advertising pages and further increase advertising revenues as a result.

Taiwan Apple Daily's current list of advertising customers spans a wide range of industries that include property developers, banks, department stores, entertainment businesses and automotive dealerships. Such a broad spectrum of advertisers offers the Group enormous potential to further diversify and enhance its customer base.

Apple Daily Printing Limited

Apple Daily Printing Limited continues to provide the invaluable support services for *Apple Daily's* continued smooth and efficient day-to-day operation, as well as printing services for a variety of external customers. During the year ended March 2004, the revenue derived from these external printing services was approximately HK\$35.7 million, an increase of approximately HK\$4.4 million or 14.1% from the figure generated during the year ended March 2003.

Books and Magazines Publication Division

Next Media's Books and Magazines Publication Division experienced an encouraging increase of around 9.8% in turnover from approximately HK\$715.6 million in the year ended March 2003 to approximately HK\$786.0 million during the year under review. This growth was largely attributable to the increase in revenue generated by *Taiwan Next Magazine*, *Sudden Weekly* and *Eat & Travel Weekly*.

Next Magazine

ACNielsen 2003 Report shows that *Next Magazine* maintained its No. 2 position in the Hong Kong weekly magazine market with an average readership of approximately 518,000 during 2003. This figure represents a 13.3% increase over the approximately 457,000 average readership figure achieved in 2002. HKABC figures demonstrate that *Next Magazine* had an average weekly circulation of approximately 147,237 copies during the six months ended December 2003, or a decline of 4.1% over the around 153,459 figure for the corresponding period in the previous year.

More importantly is the fact that *Next Magazine* continues to offer advertisers a higher percentage of readers of both genders with post-secondary/tertiary education levels than any other weekly magazine. This fact alone ensures that the publication remains a "must-buy" for Hong Kong media professionals wishing to reach affluent, young executives and professionals. Given its strong profile and proven appeal for both readers and advertisers, *Next Magazine* suffered a lesser blow than many of its competitors during the SARS crisis. As a result, the publication generated approximately HK\$288.3 million in revenue during the year ended 31 March 2004, which represented a mere 3.3% decrease over the approximate HK\$298.0 million figure for the previous year.

Sudden Weekly and Eat & Travel Weekly

With an average readership of around 604,000 in 2003, the Bundle achieved a healthy growth of around 20.8% over its approximately 500,000 readership figure in 2002. The Bundle has now firmly established its position as the most widely read of all weekly magazines in Hong Kong. Audited circulation figures for the six months ended December 2003 reached 196,539 for the Bundle, demonstrating an encouraging improvement from around 189,216 during the corresponding period in 2002.

Approximately 72.0% of the Bundle's readership are females, while around 79.0% of all readers fall in the 15 to 44 age bracket. Such a proven breadth and depth of appeal further reinforces the success and effectiveness of the Bundle's uniquely up-to-the-minute image and clearly focused positioning and marketing.

For the year ended 31 March 2004, revenue from the Bundle had grown to approximately HK\$212.0 million, a 14.2% increase over the HK\$185.7 million recorded during the year ended March 2003. Both *Sudden Weekly's* and *Eat & Travel Weekly's* market position has been reinforced with the bundling effect and made it the perfect choice for advertisers of various products in its respective market segment.

Easy Finder

Another Next Media publication, *Easy Finder* is ranked third in the Hong Kong weekly magazine market with an average readership of approximately 312,000 in 2003. This figure represents a slight 1.6% increase over last year's average readership figure of approximately 307,000. As a result of its emphasis on fashion and trends, *Easy Finder* remains a hugely popular publication with younger, more brand-conscious readers as evidenced by the fact that approximately 72.0% of whom are in the 15 to 34 year old age bracket. As the perfect choice with advertisers in search of a young market, *Easy Finder* also remains a firm fixture on the space buying schedules of up-to-the-minute brands. Coupled with the effect of an additional young line section of *Eat & Travel Weekly*, the title's revenue from circulation and advertising rose to approximately HK\$107.5 million for the year ended March 2004, a 7.6% increase over the approximate HK\$99.9 million recorded during the previous financial year.

Taiwan Next Magazine

Upon first hitting the Taiwanese newsstands in May 2001, *Taiwan Next Magazine* quickly established an unrivalled reputation for its bold, truthful and uncompromising journalism. The intervening years have seen even larger numbers of both readers and advertisers adopt the publication as their weekly magazine of choice.

The year ended March 2004 saw *Taiwan Next Magazine* continue to maintain its dominant position as the most widely read of all weekly magazines in Taiwan. Statistics from ACNielsen (Taiwan) Ltd. indicate that the title achieved an average readership of approximately 1,610,000 during the six months ended 31 December 2003, representing an increase of 2.4% when measured against the figure of approximately 1,572,000 for the corresponding period in 2002. As added by the ROCABC, *Taiwan Next Magazine's* circulation for the six months to December 2003 was 3,524,055 copies. This figure represents a weekly circulation of around 135,541, or a slight decrease of 5.1% when compared against the corresponding figure of the equivalent period in 2002.

Taiwan Next Magazine's increase in advertising pages also brought forth a steady growth in the publication's advertising revenue. Total advertising income for *Taiwan Next Magazine* during the year ended March 2004 increased by 84.6% from the previous year. Such growth ensured that the publication was able to achieve its targeted break even in May 2003 and report a segment profit of approximately HK\$9.5 million for the year ended March 2004 as a whole.

The Board remains confident that *Taiwan Next Magazine's* enduring appeal for readers will ensure the publication continues to be an essential media buy for advertisers.

Books and Magazines Printing Division

Next Media's Books and Magazines Printing Division continued to play a vital role in complementing the Group's publishing business during the year ended 31 March 2004. Before the elimination of intra-group segment transactions worth of approximately HK\$156.7 million, turnover for the Books and Magazines Printing Division for the year ended March 2004 totalled approximately HK\$256.0 million. This figure represents an increase of around 5.7% on the approximate HK\$242.1 million pre-elimination figure for the year ended March 2003.

The Books and Magazines Printing Division continues to provide services to external customers from Hong Kong, Taiwan, North America, Europe and Australasia. During the year ended March 2004, these customers contributed to a revenue of approximately HK\$599.3 million, or a decrease of 10.3% on the approximate HK\$110.7 million recorded for the previous financial year. Commercial printing is another area in which the Group is confident of receiving a steady income stream.

Internet Division

During the year under review, revenue from the Internet Division grew from approximately HK\$14.4 million to approximately HK\$20.9 million, representing a year-on-year increase of 45.1%. Segment profits for the year ended March 2004 for this Division experienced a dramatic surge and increased from around HK\$3.6 million in the year ended March 2003 to approximately HK\$9.5 million.

Revenue for the Internet Division is mainly derived from content licensing and subscription fees and advertising revenues. The Division's impressive revenue growth during the year under review was largely attributable to increases in advertising revenues and the growth of its overseas subscriber base.

Although it adversely affected the Group's newspaper and magazine publications, the SARS crisis of 2003 had a positive effect on Internet usage. Reluctant to venture outdoors, an increasingly large number of Hong Kong residents relied on the Internet to obtain news, medical information and carry out banking transactions. Eager to find out what was happening "back home", Hong Kong emigrants also logged onto the Internet in large numbers. At the peak of the SARS crisis, the Internet Division's pages were receiving over 10 million hits daily. Advertisers were quick to exploit this change in people's reading patterns and started to re-allocate certain portions of their marketing budgets to the Internet.

The Group remains optimistic that Internet advertising revenues will continue to grow as more and more advertisers consider adding the Internet to their marketing initiatives. As a result, the Division will continue to seek opportunities to increase its revenue streams, while maintaining tight controls on costs.

FINANCIAL REVIEW

Consolidated Financial Results

Turnover

During the year under review, total turnover for the Group grew from around HK\$2,150.1 million to approximately HK\$2,437.1 million. This figure represents a 13.3% increase over the year ended March 2003. The improved turnover was largely due to the launch of *Taiwan Apple Daily*, which contributed some HK\$287.6 million or 11.8% of the year ended March 2004 total.

Broken down by principal markets, Hong Kong continued to be the largest revenue earner, contributing around HK\$1,896.9 million worth of turnover. Much of the 1.7% decrease over the approximately HK\$1,929.5 million corresponding figure for the year ended March 2003 is directly attributed to losses in advertising revenues caused by the SARS epidemic during its April and May 2003 peak.

Taiwan remained the Group's second largest source of revenue with a turnover of around HK\$465.5 million representing a year on year increase of 25.7% over the approximately HK\$130.2 million figure for the year ended March 2003. This market also continued to maintain its encouraging upward trend; an increase of 84.6% in advertising revenues from *Taiwan Next Magazine* further enhancing the Group's turnover during the year.

Viewed in terms of principal activities, newspapers publication and printing continued to be Next Media's largest source of revenue. During the year ended March 2004, the Group's Newspapers Publication and Printing Division contributed some HK\$1,531.1 million or 62.8% of the total turnover. These figures represent an approximately HK\$221.7 million or 16.9% increase over the around HK\$1,309.4 million representing 60.9% of the total turnover in the year ended March 2003.

Approximately HK\$786.0 million or 32.3% worth of turnover was added by the Group's Books and Magazines Publication Division. The Books and Magazines Printing Division generated around HK\$99.3 million or approximately 4.1% of the Group's total turnover after elimination of intra-group segment transactions. The Internet Division generated around HK\$20.9 million or approximately 0.8% of the Group's total turnover for the year ended March 2004. The Books and Magazines Publication Division and the Internet Division showed respective increases of 9.8% and 45.1% over the corresponding figures of approximately HK\$715.6 million and HK\$14.4 million achieved during 2003.

Dividend

The Board does not recommend the payment of a dividend for the year ended 31 March 2004.

EBITDA and Net Profit

During the year ended March 2004, Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") reached approximately HK\$221.0 million, a decrease of 65.2% over the some HK\$635.6 million recorded during the previous year.

The year ended 31 March 2004 saw the Group as a whole return a segment loss of just HK\$35.0 million from HK\$418.9 million segment profit (as restated) recorded in the year ended March 2003. The segment loss for the Group's Newspapers Publication and Printing Division was around HK\$192.6 million, from HK\$361.9 million profit (as restated) achieved for the year ended March 2003. The deterioration in performance was primarily due to the segment loss of approximately HK\$573.8 million sustained by *Taiwan Apple Daily*.

The year ended March 2004 saw the Group's Books and Magazines Publication Division generate a segment profit of approximately HK\$103.9 million, an encouraging 304.3% increase over the some HK\$25.7 million segment profit (as restated) recorded during the previous financial year. This increase is mainly due to the turnaround of *Taiwan Next Magazine* from a loss to a profit representing approximately HK\$57.5 million increase in segment profit. The Group's Books and Magazines Printing Division generated a segment profit of around HK\$44.2 million during the same period. This figure represents an increase of 60.1% when measured against the Division's approximately HK\$27.6 million segment profit for the year ended March 2003. The Internet Division was also profitable, recording a segment profit of around HK\$9.5 million, a healthy increase of 163.9% over the some HK\$3.6 million profit recorded in the previous year.

Operating Expenses

The year under review saw the Group's total operating expenses reach approximately HK\$2,453.0 million, a 42.6% increase over the approximately HK\$1,720.5 million (as restated) figure recorded during the year ended March 2003. Some 65.5% or around HK\$1,605.7 million of this sum was made up of production costs, including direct production staff costs. Much of this increase is largely attributable to the Group's expansion of its Taiwan activities, including the May 2003 launch of *Taiwan Apple Daily*. Personnel costs, excluding direct production staff costs, totalled around HK\$319.2 million or 13.0% of the Group's total operating costs during the year ended March 2004. This figure represents a HK\$22.4 million or 7.5% increase over the corresponding HK\$296.8 million or 17.3% figures for 2003. Depreciation of fixed assets accounted for HK\$137.9 million or approximately 5.6% of this total, measured against some HK\$102.8 million or 6.0% in the year ended March 2003.

Taxation

Taxes levied on the Group during the year just ended totalled some HK\$74.1 million, an decrease of 15.8% over the approximately HK\$88.0 million (as restated) figure for the year ended March 2003. This fall was mainly the result of a drop in profits that the Group derived from its Hong Kong operations and recognition of certain deferred tax assets.

Financial Position

Current Assets and Current Liabilities

As of 31 March 2004, the Group's current assets stood at approximately HK\$983.1 million, an increase of some 3.0% or HK\$28.3 million as at end of March 2003. The Group's current liabilities dropped by around 3.6% to reach approximately HK\$483.5 million as compared to some HK\$501.3 million as at end of March 2003. The primary causes of the decrease in liabilities are decrease in taxation payable and decrease in current portion of long-term liabilities. At end of March 2004, the Group had a total of approximately HK\$373.6 million cash on hand. The current ratio at the end of March 2004 was 203.3%, compared to a ratio of 190.5% at the previous financial year end.

Accounts Receivable

As at 31 March 2004, the Group's accounts receivable stood at approximately HK\$409.8 million representing a 40.1% increase from the approximately HK\$292.5 million recorded at the previous year end. Such increase mainly comes from additional accounts receivable from the new *Taiwan Apple Daily* business. The average turnover for accounts receivable during the year under review was 52.7 days measured against 51.4 days in the year ended March 2003.

Accounts Payable

As at 31 March 2004, the Group's accounts payable dropped to HK\$97.4 million, a decrease of 4.5% over the approximately HK\$102.0 million figure at 31 March 2003. The same period saw a decrease in average accounts payable turnover from 56.0 days in last year to 40.9 days in this year as the consumption of paper nearly doubled after the launch of *Taiwan Apple Daily*.

Long-term and Short-term Liabilities

As at 31 March 2004, the Group's long-term liabilities, including current portions, totalled around HK\$296.4 million. This figure represents an increase of 7.4% over the approximately HK\$275.9 million figure as at end of March 2003. As of 31 March 2004, the current portion of the Group's long-term liabilities stood at approximately HK\$60.6 million, a 14.0% decrease over the figure of around HK\$70.5 million as at the previous financial year end.

On 3 November 2003, Apple Daily Limited, a wholly owned subsidiary of the Company, was granted a HK\$300.0 million Transferable Term Loan/Revolving Credit Facility (the "Syndicated Loan Facility") from a syndicate of seven banks arranged by Sumitomo Mitsui Banking Corporation. The Syndicated Loan Facility is divided into two tranches being Tranche A is a 5-year HK\$200.0 million term loan facility, while Tranche B is a 3-year HK\$100.0 million revolving credit facility. Apple Daily Limited used proceeds from Tranche A to refinance part of its then existing loans. If necessary, proceeds from Tranche B will be used to fund the Company's future business expansion plans and capital expenditure requirements.

The Syndicated Loan Facility offers additional advantages in that it will enable the Group to lower its overall funding costs while broadening its base of lending banks.

Borrowing and Gearing

Next Media's primary mean of financing its operations remains cash flow generated by its operating activities and, to a lesser extent, banking facilities provided by its principal bankers.

As of 31 March 2004, the Group's available banking facilities totalled around HK\$598.7 million, some HK\$304.3 million of which had been utilised. There is no seasonality for the Group's bank borrowing requirements and all monies borrowed bear interest at floating rates. During the year ended March 2004, Hong Kong Dollars and New Taiwanese Dollars accounted for the bulk of the Group's bank borrowings. As at 31 March 2004, the Group had cash on hand worth around HK\$373.6 million. The Group's gearing ratio at the end of March 2004 was 6.7% compared against the 6.2% (as restated) figure recorded at the end of March 2003. The Group's gearing ratios are calculated by dividing long-term liabilities, including current portions, by total asset value.

Share Capital Structure

During the year under review, the Company issued 244,973,400 ordinary shares with a par value of HK\$1.00. The major part of the new shares issue resulted from the conversion of 240,000,000 HK\$1.75 convertible non-voting non-cumulative preference shares ("Preference shares") held by Lai Chee Ying, Jimmy ("Mr. Lai") at a conversion price of HK\$1.75 per ordinary share. 4,973,400 ordinary shares with a par value of HK\$1.00 were also issued as a result of the exercise of certain share options by option holders at an exercise price of HK\$1.67 per share.

As of 31 March 2004, the Company's total issued share capital was around HK\$3,088.6 million. This figure is made up of 1,478,634,576 ordinary shares with a par value of HK\$1.00 each and 920,000,000 Preference shares with a par value of HK\$1.75 each.

Cash Flow

During the year just ended, the Group's net cash outflow from operating activities reached around HK\$20.6 million, a cash inflow of HK\$650.5 million was generated from the Group's operations during the year ended March 2003.

The outflow of investment-related cash during the year ended March 2004 totalled approximately HK\$120.6 million. This figure represents a decrease of some 83.6% over the outflow of around HK\$735.0 million in the previous financial year.

Net cash inflow from financing activities during the year ended March 2004 totalled around HK\$16.6 million, compared against approximately HK\$14.5 million in 2003. This figure was mainly made up of new bank loans worth some HK\$231.3 million. The latter figure was partially offset by bank loan repayments of around HK\$215.3 million.

Exchange Rate Exposure and Capital Expenditure

Group assets and liabilities are mainly denominated in either Hong Kong Dollars or New Taiwanese Dollars. As a result of its magazine and newspaper publishing business activities in Taiwan, the Group faces certain exchange exposures to New Taiwanese Dollars. It is the Group's intention to reduce this exchange rate exposure by arranging bank loans in New Taiwanese Dollars whenever and wherever possible. The Group's net currency exposure as of 31 March 2004 was some NT\$4,127.2 million (approximately HK\$974.1 million), a 34.6% increase over the some NT\$3,067.4 million (approximately HK\$687.8 million) figure as at 31 March 2003. The Group will continue to monitor its overall currency exposure very carefully, taking steps to hedge against such exposure when and where appropriate.

The Group's capital expenditure for the year ended March 2004 totalled approximately HK\$142.3 million, some HK\$114.7 million of which was for the Group's operations in Taiwan. At the end of the year under review, the Group had committed further capital expenditure worth around HK\$14.4 million for its operations. This figure included some HK\$5.7 million for the Group's operations in Taiwan.

Pledge of Assets

As of 31 March 2004, certain of the Group's Hong Kong and Taiwanese property portfolio and printing equipment with an aggregate net book value of around HK\$1,013.6 million were pledged to various banks as security for bank loans and general banking facilities granted to the Group.

Contingent Liabilities

As of 31 March 2004, the Group had contingent liabilities in respect of a number of litigation proceedings in Hong Kong and Taiwan. Such proceedings are a normal occurrence in the publishing business. The Group was also involved in a dispute with UDL Constructing Limited, the contractor responsible for the construction of the printing facility for the Company's subsidiary, Apple Daily Printing Limited. The dispute, which concerned amounts payable for the construction of the facility, is currently under arbitration and the final outcome of the proceedings remains uncertain.

Following the acquisition of Database Gateway Limited in October 2001 (the "Acquisition"), Mr. Lai has undertaken to provide unlimited personal indemnities (the "Indemnity") to the Group. The Indemnity will protect 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 resulting from these proceedings will have no material impact on the Group's financial position.

The Company also has contingent liabilities in relation to corporate guarantees it has provided to financial institutions for facilities utilised by certain subsidiaries of the Company. As of 31 March 2004, these contingent liabilities totalled some HK\$224.9 million.

PROSPECTS AND OUTLOOK

Moving Forward

Next Media remains Hong Kong's largest Chinese-language print media group. *Apple Daily*, *Next Magazine*, *Easy Finder*, *Sudden Weekly* and *Eat & Travel Weekly* have all achieved solid market shares and will ensure the Group continues to enjoy a stable revenue stream. More encouragingly, the Board believes that each of these publications will generate additional advertising revenues as the Hong Kong economy continues to improve.

The financial year 2004/05 will see Next Media carry on its policy of consolidating its dominant position within the Hong Kong Chinese print media market. At the same time, the Group will make substantial efforts to cement its foothold within the Taiwan market. The Board is confident that *Taiwan Next Magazine* will continue to both build on its achievements and remain profitable. It should be noted, however, that the title is unlikely to make a major contribution to the Group's result during the coming year.

Newsprint and paper costs account for a substantial portion of Next Media's production costs in both Hong Kong and Taiwan. Prices on the world's paper markets are expected to continue to rise throughout the year ending March 2005. This upward trend will inevitably impact on the Group's financial performance in the coming year.

It seems likely that the launch of *Taiwan Apple Daily* will continue to affect the Group's financial performance and results for the year ending March 2005. This may mean that the Group, in the coming year, will not return to the profit level for the year ended March 2003. However, the Group's management remains committed to doing everything possible to ensure that all costs incurred will help to pave way for *Taiwan Apple Daily's* future success.

Encouragingly, the large scale investment involved in the launch of *Taiwan Apple Daily* has already started to bear fruit. For the six months ended 31 December 2003, *Taiwan Apple Daily* had an audited average daily circulation of 406,599.

Its impressive performance on Taiwanese newsstands is mirrored in its increased advertising revenue. For the year ended 31 March 2004, the paper had contributed some HK\$287.6 million or 18.8% of the Newspapers Publication and Printing Division's turnover for the year. The Board remains confident that as *Taiwan Apple Daily* consolidates and further strengthens its position in the market, these figures will continue to show steady growth.

EMPLOYEES RELATIONS

As of 31 March 2004, The Group employed a total of 3,193 employees in Hong Kong, Taiwan and Canada. Each and every one of our employees plays a vital role in bringing readers the eye-catching pictures and thought provoking stories which are a cornerstone of the Group's success.

Next Media values its team members very highly and regularly reviews its remuneration packages to attract and retain the best and brightest individuals in the publishing business. Specific benchmarks used during these reviews include individual contribution levels, business performance, market practice, internal relativities and competitive market pressures.

All members of the Next Media family are rewarded with the special year-end bonus and profit sharing schemes on a performance-related basis. Team members who wish to obtain professional or career related qualifications are provided with subsidies to cover the cost of their studies. While newly weds and new parents are given "red packets" to help them celebrate these landmark events in their lives.

Other benefits the Company offers its employees include retirement and mandatory provident fund schemes, insurance, medical coverage, and maternity and paternity leave for female and male staff respectively. The Group and certain of its subsidiaries also operate discretionary share option schemes to motivate employee performance in enhancing value for shareholders. Total staff related costs, including retirement benefits, for the year ended March 2004 were approximately HK\$907.1 million, a 24.3% increase over the some HK\$729.6 million recorded during the previous financial year.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

The Company has not redeemed any of its listed shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed shares during the year.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

Throughout the year, the Company complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

AUDIT COMMITTEE

Current members of the Audit Committee are Mr. Yeh V-Nee, Mr. Fok Kwong Hang, Terry, and Dr. Kao Kuen, Charles, all being Independent Non-executive Directors of the Company. The Audit Committee is responsible for providing an independent review of the financial reporting, internal controls and audits of the Company. The Audit Committee has reviewed the audited financial results of the Group for the year ended 31 March 2004 and the accounting principles and practices adopted by the Group. With the assistance of the external auditors, the Audit Committee also reviewed the adequacy and effectiveness of the Company's systems of internal control and made recommendations to the Board.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

A detailed results announcement containing all information required by paragraph 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited as soon as practicable.

By order of the Board
Stephen Ting
Director

Hong Kong, 11 June 2004

As at the date of this announcement, the Executive Directors of the Company are Mr. Lai Chee Ying, Jimmy, Mr. Ting Ka Yu, Stephen, Mr. Ip Yut Kin and Mr. Tung Chuen Cheuk and the Independent Non-executive Directors of the Company are Mr. Yeh V-nee, Mr. Fok Kwong Hang, Terry and Dr. Kao Kuen, Charles.

Forward-looking Statements

This announcement contains certain statements that are "forward-looking" or which use certain forward-looking terminology. These statements are based on the current beliefs, assumptions, expectations and projections of the Directors of the Company regarding the industry and markets in which the Group operates. These statements are subject to risks, uncertainties and other factors beyond the control of the Group.