NEXT MEDIA LIMITED

(Incorporated in Hong Kong with limited liability)

ANNOUNCEMENT OF AUDITED CONSOLIDATED RESULTS

FOR THE YEAR ENDED 31ST MARCH, 2001

RESULTS

The Directors of Next Media Limited (the "Company" or "Next Media") hereby announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st March, 2001 together with the comparative figures for the previous year as follows:

	Note	2001 HK$	2000 HK$
Turnover	2	350,435,557	217,171,225
Production costs		(240,570,562)	(133,567,021)
Gross Profit		109,864,995	83,604,204
Other revenue	2	5,516,057	596,643
Personnel costs excluding direct labour		(90,992,692)	(54,201,732)
Depreciation		(32,426,352)	(22,980,937)
Other administrative expenses		(56,838,158)	(52,988,433)
Other income	3	7,671,018	33,379,851
Other expenses	4	(47,316,724)	(29,447,962)
Operating loss		(104,521,856)	(42,038,366)
Finance costs	5	(27,506,019)	(34,522,842)
Share of losses of associated companies		(6,986,536)	(113,133)
Loss before taxation		(139,014,411)	(76,674,341)
Taxation	6	(6,758,406)	(1,836,200)

Loss after taxation		(145,772,817)	(78,510,541)
Minority interests		(25,471)	40,217
Loss for the year	*7*	(145,798,288)	(78,470,324)
Basic loss per share	*8*	(4.7 cents)	(6.0 cents)

Notes

1. Basis of preparation

The results of the Group for the year have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice ("SSAP") issued by the Hong Kong Society of Accountants ("HKSA").

In January 2001, the HKSA issued SSAP 29 "Intangible assets", SSAP 30 "Business combinations" and SSAP 31 "Impairment of assets". These new SSAPs will become effective for any accounting period beginning on or after 1st January 2001. In preparing the Group's financial statements for the year ended 31st March, 2001, the Group has elected not to early adopt these new SSAPs. The requirements of these new SSAPs differ significantly, in some aspects, from the accounting policies currently adopted by the Group.

2. Turnover and revenue

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

	2001	**2000**
	HK$	*HK$*
Turnover		
Printing and reprographic services	186,203,747	148,552,063

Sales of books and magazines	65,820,230	28,881,111
Books and magazines advertising income	91,721,872	38,540,452
Internet content provision and advertising income	6,689,708	1,197,599
	350,435,557	217,171,225
Other revenue		
Interest income on bank deposits	5,516,057	596,643
Total revenues	355,951,614	217,767,868

An analysis of the Group's turnover and operating profit /(loss) for the year ended 31st March, 2001 by principal activity and market is as follows:

	Turnover Year ended 31st March		**Operating profit/(loss) Year ended 31st March**	
	2001	**2000**	**2001**	**2000**
	HK$	*HK$*	*HK$*	*HK$*
By principal activity:				
Printing and reprographic services	186,203,747	148,552,063	19,028,106	(37,075,929)
Books and magazine publishing and advertising	157,542,102	67,421,563	44,577,762	19,816,638
Internet content provision and advertising	6,689,708	1,197,599	(168,127,724)	(24,779,075)
	350,435,557	217,171,225	(104,521,856)	(42,038,366)
By principal market:				
Hong Kong	284,448,121	145,388,795	(100,705,088)	(16,977,565)
Taiwan	-	-	(9,447,316)	-
North America	27,010,722	33,405,689	2,623,699	(9,308,804)
Europe	19,444,884	14,008,947	1,749,999	(6,262,358)
Australasia	19,531,830	24,367,794	1,256,850	(9,489,639)

	350,435,557	217,171,225	(104,521,856)	(42,038,366)

3. Other income

Other income comprises proceeds from sales of waste paper, editorial service income and other sundry income. Included in the amount for the year ended 31st March, 2000 were interest expenses totalling HK$21,357,862 waived by Next Media International Holdings Limited ("Next International"), the holder of the convertible notes and the former ultimate holding company.

4. Other expenses

	Note	2001 HK$	2000 HK$
Loss on termination of investment in Igloo Finance Limited ("Igloo")	*(a)*	38,230,305	-
Loss on disposal of investment in an associated company		8,066	-
Impairment loss for fixed assets		6,550,946	-
Loss on disposal of fixed assets		2,527,407	29,447,962
		47,316,724	29,447,962

(a) On 15th December, 2000, the Group entered into an agreement to terminate the shareholders' agreement regarding its investment in Igloo, an associated company of the Group, and recorded a loss of HK$38,230,305 comprising:

	2001 HK$
Share of net liabilities of Igloo at the time of termination	(6,12,050)
Waiver of amount due from the Group to Igloo	(15,337,040)
Waiver of loan from the Group to Igloo	6,365,460

Compensation paid to the other shareholders of Igloo upon termination of the shareholders' agreement	23,366,809
Goodwill arising on acquisition of Igloo previously written off to reserve	29,997,126
	38,230,305

5. Finance costs

	2001	**2000**
	HK$	*HK$*
Interest expenses on:		
- Bank borrowings	10,556,853	20,787,112
- Shareholder's loans	15,780,820	-
- Finance leases	286,038	1,178,704
- Convertible notes	882,308	9,010,787
- Other	-	3,546,239
	27,506,019	34,522,842

6. Taxation

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

	2001	2000
	HK$	HK$
Hong Kong profits tax	6,813,147	2,546,157
Over provision in prior years	(54,741)	(49,468)
Deferred taxation	-	(667,423)
	6,758,406	1,829,266
Share of taxation attributable to associated companies	-	6,934

6,758,406	1,836,200

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profit for the year.

No overseas profits tax was provided since the subsidiaries operated overseas did not have any assessable profits during the year.

7. Loss for the year

As set out under Note 1, the Group elected not to early adopt the new SSAPs 29, 30 and 31. Had these new SSAPs been early adopted by the Group for the year ended 31st March, 2001, the Group's reported results would have had an additional charge of HK$492.7 million relating to impairment and amortisation of intangible assets.

8. Loss per share

The calculation of the basic loss per share is based on the loss for the year of HK$145,798,288 (2000: HK$78,470,324) and the weighted average of 3,091,875,924 ordinary shares (2000: 1,318,353,440 ordinary shares) in issue during the year. No diluted loss per share has been presented as the exercise of the Company's share options would be anti- dilutive.

DIVIDEND

The Directors do not recommend the payment of a dividend in respect of the year ended 31st March, 2001 (2000: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results Summary

For the financial year under review, the total turnover of the Group was HK$350,435,557, representing a 61.4% increase as compared with its total turnover in the last financial year. The Group's turnover from printing operations was HK$186,203,747 or 53.1% of its total turnover for the year, as compared with HK$148,552,063 in the last financial year. Turnover from the publishing division was HK$157,542,102 or 45.0% of its total turnover for the year, as compared to HK$67,421,563 in the last financial year. The Group also generated turnover of HK$6,689,708 from Internet advertising, 1.9% of its total turnover for the year, as compared to HK$1,197,599 in the last financial year.

The audited consolidated loss of the Group amounted to HK$145,798,288 for the year ended 31st March, 2001, as compared to a loss of HK$78,470,324 in the last financial year. The increase in loss was primarily due to the Group's Internet business. The printing division turned from a loss to a profit position, making a contribution of profit of HK$19,028,106, as compared to a loss of HK$37,075,929 in the last financial year. The publishing division benefited from a full-year's ownership of Easy Finder magazine, and hence achieved an increase in profit from HK$19,816,638 to HK$44,577,762, after charging HK$9,447,316 pre-operating expenses in respect of our new Taiwan publishing operations.

Please also refer to Note 7 above regarding the impact of newly pronounced SSAPs on the Group's financial statements. The Group's cash position would not be affected even if the Group has had early adopted the new SSAPs. The Group considered that it is commercially appropriate and not technically incorrect to follow existing accounting policy of the Group in this regard.

This Year and Next

The year ended 31st March, 2001 was very eventful. Like other Internet-related companies world-wide, we were adversely affected by the collapse of confidence in on-line business which took place during the year under review. However, unlike many "dotcoms," we have a number of well-established "old economy" operations. These continued to achieve successful results. They give Next Media a solid foundation, and we intend to continue building on them during the year ahead.

Printing

Our printing business has reversed its three-year trend of losses, and made an admirable profit during the year under review. This marked a significant turnaround from the previous years, where the printing operations was operating at a loss, and was plagued with a number of overdue accounts.

Credit for this success is due to the tight management controls we put in place, and a wide-ranging restructuring process. Also we will not play down the significant contribution made by the three weekly magazines of Next International, namely Next Magazine, Sudden Weekly magazine and Eat & Travel Weekly magazine, whose business accounted for approximately 35% of the turnover from printing operations and contributed to a gross profit margin of 59%.

The commercial printing industry in Hong Kong remained very competitive in the past 12 months, and we have been competing mainly against the local operations of major international printing companies, which have considerable financial muscle. The Hong Kong economy continued to be sluggish in the wake of the economic downturn in 1997/98, and there was excess printing capacity available here.

Furthermore, the current high values of the US and Hong Kong Dollars are discouraging overseas business, and strengthening the hands of our competitors in countries like Korea and Singapore.

However, we intend to maintain our strong emphasis on cost monitoring and efficiency. This encompasses a selective approach to securing new business, so that we ensure this business is both profitable and does not expose us to credit risks. Through this approach, and our ability to secure contracts from Next International, we believe our printing operation will remain profitable during the coming year.

Publishing

Since its acquisition from Next International on 20th October, 1999, Easy Finder magazine has been the Group's single biggest profit contributor. The year under review was no exception, even though we faced keen competition from several new or re-launched magazines targeting a similar market of 15-34-year-old readers as us.

Easy Finder magazine maintained its leadership position in the market for young readers, both in terms of circulation and advertising. As audited by the Hong Kong Audit Bureau of Circulations Limited, the average weekly circulation was around 105,950 copies for the six-month period ended 31st December, 2000. For the three months ended 28th February, 2001, Easy Finder magazine had an average readership of 330,000 and ranked third in terms of readership among all the weekly magazines circulated in Hong Kong, according to AC Nielsen Hong Kong. Advertising revenue was HK$38,540,452 for the year ended 31st March, 2000, and HK$91,721,872 for the year ended 31st March, 2001. Last year's advertising revenue was not fully reflected in the Group's results, since the Group did not acquire the publication until 20th October, 1999.

Easy Finder magazine has been a success ever since its launch in 1992. This is due to its lively layout and informative content, which appeal to both male and female readers. During the past year, the magazine introduced new sections containing a wide range of special offers to readers. It also organised events including beauty competitions and charity fund-raising activities to encourage participation and to foster a sense of "belonging" among the readers. Easy Finder Limited also published a number of reference books, including the 2001 Hong Kong Map, Primary School Entrance Guidebook 2001 and DIY Home Decor Guide 2001.

New magazine features, competitions, and integrated advertorial and marketing programmes for advertisers are all planned for the coming year, so as to maintain Easy Finder magazine's successful track record.

Encouraged by Easy Finder magazine's success, the Group is now considering other publishing opportunities to boost this sector of our business.

Online Operations

Completion of the acquisition of Apple Daily Online Limited in the earlier part of the year under review strengthened the web site content and increased the daily page views of the Group's on-line operations, atnext.com. However, market sentiment changed drastically, midway during the year under review. Despite the continued popularity of our portal among consumers, we had to switch the focus of our on-line business from expansion to consolidation. The major tasks have been to get our cost base under control and broaden our revenue streams.

A thorough restructuring process was undertaken, which resulted in the regrettable laying off of a number of editorial and web site staff. We closed or suspended the input of new content into a number of our lifestyle sites, and concentrated on the content of our five main publications, plus the most popular lifestyle sites.

During the year ended 31st March, 2001, the Group terminated a shareholders' agreement in relation to its investment in Igloo Finance Limited in view of the unsatisfactory Internet market performance, which resulted in a loss of HK$38.2 million.

We entered into a syndication licensing agreement for our online content with Wisers.com, one of the largest online Chinese content aggregators and technology enablers in the region. With a minimum income guaranteed under the terms of our contract, we now derive a stable portion of our online revenues from this source. We also outsource our advertising sales to DoubleClick.com, thereby taking advantage of its large, professional advertising sales capability.

We placed Apple Racing and Next Magazine on a subscription basis in October and November 2000 respectively; and since the end of the year under review, we have extended the subscription model for overseas users who wish to access other sites on the atnext.com portal. Although it is still too early to evaluate the results of this exercise, we believe the subscription model will create extra revenue without impacting our current income streams, and that it will also help alleviate our losses.

We will continue to seek opportunities to further grow our revenue streams and are confident that this can be achieved without any major cash investment.

In summary, we believe that by maintaining close control on costs and continuing to exploit opportunities for revenue generation, our online operations will be substantially improved by the end of 2001.

Liquidity and Financial Resources

The Group financed its operations partly through cash flow from operations and partly through debt financing from bank facilities and shareholder's loans. As at 31st March, 2001, the Group had a long term loan facility from an international bank in the amount of HK$102.8 million, which is secured by the Group's land and buildings.

The Group has breached the covenant in the facility agreement of the term loan facility that its consolidated profit for the year ended 31st March, 2001, will not be less than a specified amount. However, the Group has obtained a waiver from the bank, such that the term loan will continue to be granted and will not become wholly repayable in the next financial year.

Apart from the abovementioned term loan, as at 31st March, 2001, the Group had available banking facilities in the amount of HK$31.6 million, which were secured by the Group's machinery and utilized to the extent of HK$12.2 million. Subsequent to the financial year end, the Group obtained an overdraft facility of HK$60 million from a bank, which will expire on 30th November 2001. This facility is secured by a charge over machinery and a floating charge over certain accounts receivable of the Group. As at 30th June 2001, the Group had utilized HK$20 million of this facility.

As at 31st March, 2001, the Company had a shareholder's loan from Mr. Lai Chee Ying, Jimmy ("Mr. Lai") of HK$215.8 million (in the principal amount of HK$200 million together with accrued interest of HK$15.8 million), which is unsecured. Mr. Lai has agreed not to demand repayment of this loan prior to 18th July, 2002.

The gearing ratio of the Group was 50.0% as at 31st March, 2001 calculated by dividing the long term liabilities (including current portion) by the total assets.

The Group intends to spend approximately HK$150 million for approximately two years on the introduction of Taiwan Next Magazine. The Group may also acquire existing publishing businesses and related Internet businesses in Taiwan or enter into joint ventures in relation to such businesses if a suitable opportunity arises.

Mr. Lai, the Company's controlling shareholder, has undertaken to provide financial support to the Group to fund its operations (including the planned expansion of operations in Taiwan), if the Group is not able to fund its operations by internal resources or third party financing.

Taking into consideration its present internal financial resources and available banking facilities and the undertaking from Mr. Lai to make further shareholder's loans to fund the operations, the Group will have sufficient resources to meet its working capital and capital expenditure requirements.

The assets and liabilities of the group are mainly denominated either in Hong Kong Dollar and New Taiwanese Dollar. The Group has extremely limited exposure to foreign exchange fluctuation. However, the Group will closely monitor the overall currency exposure and, when considered appropriate, the Group will hedge against currency exposure.

As at 31st March, 2001, the Group had no material contingent liabilities.

Looking Forward

Even though the launch of Taiwan Next Magazine took place following the end of the year under review, it was a milestone event in the Group's history. For the first time, we extended our publishing operations beyond Hong Kong and into exciting new territory with great potential.

Why Taiwan? Well, it has a population of 23 million Chinese speakers, more than three times the population of Hong Kong. In recent years, Taiwan has developed into a democratic society. As a result, its media now operate free of censorship and other official interference.

Compared with Hong Kong, Taiwan's existing newspapers and magazines are relatively conservative in both their editorial style and content. They focus less on local issues which have a major impact on people's lives than the Hong Kong media.

We felt both the environment and the time were right to introduce the Next-Magazine-style of informative reporting in Taiwan. The enthusiastic response from readers in Taiwan has borne out our optimism. After a period of careful and thorough preparation since late last year, our Group's talented team of young Taiwanese journalists produced the first issue in May this year. At the time of writing, the first seven issues of this new magazine, with print runs ranging from 200,000-290,000 copies, have sold rapidly.

Establishing Taiwan Next Magazine as a successful advertising medium is taking time, because many major advertisers are waiting to see how the circulation figures stabilise before they commit themselves. There has also been an element of caution about our style of content and presentation. But with a circulation three times higher than any other weekly magazines on the island, we are confident Taiwan Next Magazine will prove popular with advertisers.

Over the coming months we will continue to fine-tune its content and improve the printing and distribution arrangements. In this way, we will firmly establish Taiwan Next Magazine, and at the same time create foundations which we can leverage for the launch or purchase of other publications for the Taiwan market.

The successful launch of Taiwan Next Magazine signifies Next Media's capability to take advantage of fresh opportunities wherever we feel they will benefit the Group and its shareholders.

In an announcement made in February 2001, the Company stated that we have been in discussion with Mr. Lai about the possible acquisition from him of certain print media businesses, which may include Apple Daily, Next Magazine, Sudden Weekly magazine and Eat & Travel Weekly magazine. An application for a new listing has been made to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in relation to the acquisition, which is subject to the approval of the Listing Committee of the Stock Exchange.

The Company's strategic objective is to become a leading Chinese-language media company. With our expansion in Taiwan, we envisage this objective will strengthen our position and create more value for our shareholders.

Employees

As at 31st March, 2001, the Group had a total workforce of 583, of whom 397 were in Hong Kong, 174 were in Taiwan, 10 were in Canada and 2 were in the United States. The employees were remunerated on a performance related basis with reference to the prevailing market practice. A new share option scheme has been adopted by the Company by the end of year 2000 under which eligible employees (including executive directors) may be granted options to subscribe for shares in the Company.

Closure of Register of Members

The Register of Members of the Company will be closed from 14th August, 2001 to 16th August, 2001 both days inclusive, during which period no share transfers will be registered.

In order to be eligible to attend and vote at the 2001 Annual General Meeting of the Company, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Central Registration Hong Kong Limited, not later than 4:00 p.m. on 13th August, 2001.

Purchase, Sale and Redemption of Listed Securities

There was no purchase, sale or redemption of listed securities of the Company by the Company or any of its subsidiaries during the year.

Corporate Governance

The Company has complied throughout the year ended 31st March, 2001 with the "Code of Best Practice" as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange.

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 of the Stock Exchange will be published on the website of the Stock Exchange as soon as practicable.

By Order of the Board
Chow On Kiu, Andrew
Director

Hong Kong, 18th July, 2001

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Company will be held at the Conference Room on the 1st Floor, 3 Chun Kwong Street, Tseung Kwan O Industrial Estate, Tseung Kwan O, New Territories, Hong Kong on Thursday, 16th August, 2001 at 11:00 a.m. for the purpose of transacting the following business:

As ordinary business

1. to receive and consider the Reports of the Directors and Auditors and the Statement of Accounts for the year ended 31st March, 2001;

2. to re-elect Directors and to authorise the Directors to fix the Directors' remuneration for the ensuing year;

3. to re-appoint PricewaterhouseCoopers as auditors and to authorise the Directors to fix their remuneration;

As special business

4. to consider, and if thought fit, pass the following ordinary resolutions with or without amendments:

A. "**THAT**:

(a) subject to paragraph (b), the exercise by the Directors of the Company during the Relevant period of all the powers of the Company to allot and issue additional shares in the capital of the Company and to make or grant offers, agreements and options including warrants and securities convertible or exercisable into shares of the Company, which might require the exercise of such powers either during or after the Relevant Period be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a), otherwise than pursuant to:

(i) a Rights Issue;

(ii) the exercise of rights of conversion under the terms of any securities which are convertible into shares of the Company; or

(iii) any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company

shall not exceed 20 percent of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this resolution and this approval shall be limited accordingly; and

(c) for the purposes of this resolution:

"Relevant period" means the period from the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next Annual General Meeting of the Company;

(ii) the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held; and

(iii) the revocation or variation of the authority given under this resolution by an ordinary resolution in general meeting.

"Rights Issue" means an offer of shares open for a period fixed by the Directors to holders of shares on the Register of Members on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction, or the requirements of any recognized regulatory body or any stock exchange).";

B. "**THAT**:

(a) subject to paragraph (b), the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to purchase shares in the capital of the Company subject to and in accordance with all applicable laws and requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time, be and is hereby generally and unconditionally approved;

(b) the aggregate norminal amount of shares of the Company to be purchased by the Directors of the Company pursuant to the approval in paragraph (a) shall not exceed 10 percent of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this resolution and the said approval shall be limited accordingly;

(c) for the purposes of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next Annual General Meeting of the Company;

(ii) the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held; and

(iii) the revocation or variation of the authority given under this resolution by an ordinary resolution in general meeting." and

C. "**THAT** conditional upon the passing of Resolutions 4A and 4B of the Notice of this Meeting, the general mandate granted under Resolution 4A be extended by adding the aggregate nominal amount of shares purchased by the Company pursuant to Resolution 4B to the aggregate nominal amount of shares which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company."

By Order of the Board
Lee Yuen Mei, Janis
Company Secretary

Hong Kong, 18th July, 2001

Notes:

(1) A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote for him in accordance with the Articles of Association of the Company. A proxy need not be a member of the Company.

(2) To be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited at the registered office of the Company at 8 Chun Ying Street, Tseung Kwan O Industrial Estate West, Tseung Kwan O, New Territories, Hong Kong not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof.

(3) The Register of Members of the Company will be closed from 14th August, 2001 to 16th August, 2001, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2001 Annual General Meeting of the Company, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Central Registration Hong Kong Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on 13th August, 2001.

(4) An explanatory statement containing further information regarding Resolutions 4A, 4B and 4C will be sent to the shareholders together with the 2001 Annual Report.

"Please also refer to the published version of this announcement in the Hong Kong i-mail on 19-07-2001"