Next Media Limited results announcement 2002

The Board of Directors of Next Media Limited (the "Company" or "Next Media") hereby announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2002 together with the comparative figures for the previous year as follows:

RESULTS FOR 2002

SUMMARY OF CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 March

	2002 HK$'000	2001 HK$'000 (As Restated)
Turnover	1,120,876	350,436
Earnings/(loss) before interest, tax, depreciation and amortisation (excluding impairment loss for goodwill)	167,742	(79,108)
Operating profit/(loss)	63,560	(597,182)
Profit/(loss) for the year	26,549	(638,458)
Basic earnings/(loss) per share	3 cents	(103 cents)
Fully diluted earnings per share	2 cents	N/A

SUMMARY OF CONSOLIDATED BALANCE SHEET

as at 31 March

	2002 HK$'000	2001 HK$'000 (As Restated)
Current assets	965,295	116,594
Non-current assets	2,597,889	526,905
Total assets	3,563,184	643,499
Current liabilities	263,263	112,663
Non-current liabilities	249,786	301,822
Minority interests	2,348	2,111
Total liabilities	515,397	416,596

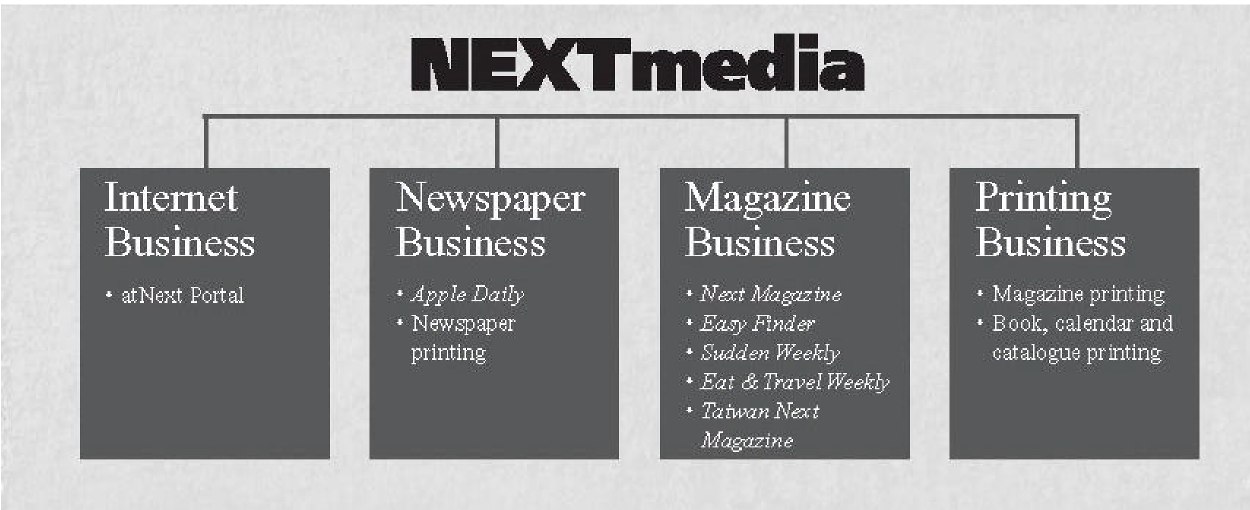
Net assets	3,047,787	226,903

SUMMARY OF RATIO ANALYSIS

Year ended 31 March

	2002	2001 (As Restated)
Net profit margin (before taxation)	4.8%	N/A
Current ratio	366.7%	103.5%
Quick ratio	342.4%	85.9%
Debtors' turnover days (average collection period)	58.0 days	48.5 days
Creditors' turnover days (average payment period)	43.5 days	126.5 days
Gearing ratio	7.0%	51.2%
Debt to equity ratio	8.2%	145.1%

CORPORATE STRUCTURE



BUSINESS HIGHLIGHTS

Acquisition

- The Acquisition, which was completed in October 2001, expanded the Group's business scope and added the territory's most successful publications, namely *Apple Daily*, *Next Magazine*, *Sudden Weekly* and *Eat & Travel Weekly*, into its business portfolio.

- The Acquisition also unveiled a new chapter for Next Media, achieving a turnaround in the Group's financial performance, from recording a net recurring loss of approximately

HK$156.30 million (excluding the non-recurring impairment loss for goodwill of HK$482.16 million) in 2001 to a net profit of approximately HK$26.55 million in 2002.

- As an additional financial information, Database Gateway Limited and its subsidiaries, the injected business, recorded a turnover and profit before amortisation of HK$2.11 billion and HK$314.80 million respectively for the year ended 31 March 2002 as compared to HK$1.93 billion and HK$286.19 million respectively of the previous year from continuing operations.

Publishing Business

- Targeting the mass market, Next Media has managed to hit the tastes of a vast array of readers. This is why the Group's publications continue to be the leaders in their respective segments. By firmly adhering to our corporate philosophy - 'Quest for truth and the courage to speak', we have earned the trust and support of our valuable readers and thus established Next Media as the largest listed Chinese print media corporation in Hong Kong in terms of sales volume and readership.

- Share of the publishing business in the Group's total turnover increased substantially, from approximately 45.0% in 2001 to approximately 85.5% in 2002.

Taiwan

- Only launched in Taiwan on 31 May 2001 and within less than a year, *Taiwan Next Magazine* is already No.1 in readership.

- Turnover of *Taiwan Next Magazine* amounted to HK$101.05 million since launch. With continuous improvements in the Taiwan economy, the Group expects to break even by the end of fiscal year 2003.

- Looking ahead, the Group intends to venture into the Taiwanese newspaper market with *Apple Daily* in the second quarter of 2003.

- With the impressive track record of its publications, the Group is confident of repeating its legend in Hong Kong in the Taiwan market.

Printing Business

- The printing business serves to complement the Group's publishing business with its state of the art printing equipment that produces high printing quality. It contributed HK$151.69 million in revenue for the year ended 31 March 2002.

Internet Business

- The portal contributed to approximately HK$10.64 million of the Group's total sales, partly due to the implementation of a subscriber model. The Internet business is EBITDA positive and likely to become self-sufficient by 2003.

CONSOLIDATED PROFIT AND LOSS ACCOUNT AND NOTES

	Note	2002 HK$'000	2001 HK$'000 (As restated - note 2)
Turnover	3	1,120,876	350,436
Production costs		(673,845)	(240,571)
Gross profit		447,031	109,865
Other revenues	3	20,108	13,187
Personnel costs excluding direct production labour		(133,675)	(90,993)
Depreciation		(66,714)	(32,426)
Amortisation of intangible assets		(37,735)	(10,500)
Other administrative expenses		(148,857)	(56,839)
Other expenses	4	(16,598)	(47,316)
Impairment loss for goodwill		-	(482,160)
Operating profit/(loss)		63,560	(597,182)
Finance costs	5	(9,659)	(27,506)
Share of losses of associated companies		-	(6,987)
Profit/(loss) before taxation		53,901	(631,675)
Taxation	6	(27,085)	(6,758)
Profit/(loss) after taxation		26,816	(638,433)
Minority interests		(267)	(25)
Profit/(loss) for the year		26,549	(638,458)
Dividend		-	-
Basic earnings/(loss) per share	7	3 cents	(103 cents)
Fully diluted earnings per share	7	2 cents	N/A

Notes

1. Basis of preparation

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.

In the current year, the Group adopted the following new or revised Statements of Standard Accounting Practice ("SSAPs") issued by the HKSA which became effective during the financial year and which were applicable to the Group:

SSAP 14 (revised)	:	Leases (effective for periods commencing on or after 1 July 2000)
SSAP 26	:	Segment reporting
SSAP 28	:	Provisions, contingent liabilities and contingent assets
SSAP 29	:	Intangible assets
SSAP 30	:	Business combinations
SSAP 31	:	Impairment of assets
SSAP 32	:	Consolidated financial statements and accounting for investments in subsidiaries

As explained in note 2, the adoptions of SSAPs 29 and 31 have significant financial impact on the accounts.

2. Changes in accounting policies

(i) Goodwill

Under SSAP 31 and Interpretation No.13, "Goodwill - continuing requirements for goodwill and negative goodwill previously eliminated against / credited to reserves", the carrying amount of goodwill (including goodwill that has previously been taken directly to reserves and not restated in accordance with the transitional provision in SSAP 30), has to be reviewed if there is an indication of impairment, and any impairment has to be dealt with in the consolidated profit and loss account in the year when the impairment is determined to have occurred.

As of 31 March 2001, the total amount of goodwill arising from previous acquisitions of businesses and charged to reserves under the Group's then accounting policy was HK$725.64 million. The directors consider that the goodwill had been impaired as at that date to the extent of HK$710.08 million and accordingly adjustments have been made in the consolidated profit and loss account for the respective periods in which the impairment is considered to have occurred. The effect of this change in accounting policy had been applied retrospectively, giving rise to a restatement of the consolidated profit and loss account for the year ended 31 March 2001 for an impairment loss for goodwill of HK$482.16 million. The Group's accumulated losses as at 1 April 2000 and 2001 have increased by HK$227.92 million and HK$710.08 million respectively representing the cumulative effects of this change in accounting policy at these dates.

(ii) Masthead and publishing rights

In prior years, the masthead and publishing rights of the Group's magazines were stated at valuation without amortisation. With the adoption of SSAP 29, intangible assets are no longer allowed to be stated at valuation if there is no active market for these assets. Accordingly, the masthead and publishing rights held by the Group are required to be stated at cost less accumulated amortisation and accumulated impairment losses, with amortisation calculated on a straight line basis over their useful lives. In this regard, the directors are of the opinion that the useful lives of the masthead and publishing rights are 20 years from the date of acquisition.

The effect of this change in accounting policy had been applied retrospectively to restate the consolidated profit and loss account for the year ended 31 March 2001 by an amortisation charge of masthead and publishing rights of HK$10.50 million and decrease the corresponding balance of the masthead and publishing rights as at 1 April 2001 by HK$15.19 million. The Group's accumulated losses as at 1 April 2000 and 2001, as a result, have increased by approximately HK$4.69 million and HK$15.19 million respectively representing the cumulative effects of this change in accounting policy at these dates.

(iii) Overall financial impact

The overall financial impact of these changes is summarised as follows:

a. Increase the loss for the year ended 31 March 2001 by HK$492.66 million, from HK$145.80 million to HK$638.46 million;

b. Increase the accumulated losses at 1 April 2000 and 2001 by HK$232.61 million and HK$725.27 million respectively from HK$221.41 million and HK$367.21 million to HK$454.02 million and HK$1,092.48 million;

c. Reduce the carrying value of the masthead and publishing rights at 31 March 2001 by HK$15.19 million from HK$210.00 million to HK$194.81 million; and

d. Reduce goodwill reserve at 1 April 2000 and 2001 by HK$227.92 million and HK$710.08 million respectively from HK$273.48 million and HK$725.64 million to HK$45.56 million and HK$15.56 million.

3. Turnover, revenue and segment information

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 sale of advertising space in books, magazines, newspaper and on websites. Revenues recognised during the year are as follows:

	2002 HK$'000	2001 HK$'000
Turnover		
Sales of newspaper	195,578	-
Sales of books and magazines	206,888	65,820
Newspaper advertising income	348,117	-
Books and magazines advertising income	207,961	91,722
Printing and reprographic services	151,688	186,204
Internet content provision and advertising income	10,644	6,690
	1,120,876	350,436
Other revenues		
Sales of waste materials	6,828	2,515
Sales of other publications	5,650	1,471
Interest income on bank deposits	4,319	5,516
Editorial Services	806	581
Others	2,505	3,104
	20,108	13,187
Total revenues	1,140,984	363,623

Analysis of business segment results for the year ended 31 March 2002

	Books and magazines publication HK$'000	Newspaper publication HK$'000	Newspaper printing HK$'000	Books and magazines printing HK$'000	Internet content provision and advertising HK$'000	Elimination of inter-segment transactions HK$'000	Group HK$'000
Turnover	414,849	543,695	129,202	218,208	10,644	(195,722)	1,120,876
Segment results	(98,530)	104,057	56,277	13,319	(31,671)	-	43,452
Other revenues							20,108
Operating profit							63,560
Finance costs							(9,659)
Profit before taxation							53,901
Taxation							(27,085)
Profit after							26,816

taxation	
Minority interests	(267)
Profit attributable to shareholders	26,549

Analysis of business segment results for the year ended 31 March 2001 (As restated - note 2)

	Books and magazines publication HK$'000	Books and magazines printing HK$'000	Internet content provision and advertising HK$'000	Elimination of inter-segment transactions HK$'000	Group HK$'000
Turnover	157,542	228,086	6,690	(41,882)	350,436
Segment results	29,270	10,292	(649,931)	-	(610,369)
Other revenues					13,187
Operating loss					(597,182)
Finance costs					(27,506)
Share of losses of associated companies					(6,987)
Loss before taxation					(631,675)
Taxation					(6,758)
Loss after taxation					(638,433)
Minority interests					(25)
Loss attributable to shareholders					(638,458)

Secondary reporting format - geographical segments

	2002		2001	
	Turnover HK$'000	Segment results HK$'000	Turnover HK$'000	Segment results HK$'000 (As restated - note 2)
Hong Kong	959,238	152,708	284,448	(606,552)
Taiwan	101,049	(114,794)	-	(9,447)
North America	34,362	1,414	27,011	2,623
Europe	17,882	2,793	19,445	1,750
Australasia	8,345	1,331	19,532	1,257
	1,120,876	43,452	350,436	(610,369)
Other revenues		20,108		13,187
Operating profit/(loss)		63,560		(597,182)

4. Other expenses

	2002	2001
	HK$'000	HK$'000
Loss on termination of investment in Igloo Finance Limited	-	38,230
Loss on disposal of investment in an associated company	-	8
Impairment loss on fixed assets	9,468	6,551
Loss on disposal of fixed assets	7,130	2,527
	16,598	47,316

5. Finance costs

	2002	2001
	HK$'000	HK$'000
Interest expenses on:		
- Bank borrowings	9,629	10,557
- Shareholder's loans	-	15,781
- Finance leases	30	286
- Convertible notes	-	882
	9,659	27,506

6. Taxation

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

	2002	2001
	HK$'000	HK$'000
Hong Kong profits tax	14,165	6,813
Under/(over) provision in prior years	137	(55)
Deferred taxation	12,783	-
	27,085	6,758

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profit for the year.

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

Deferred taxation charge represents utilisation of tax loss of certain subsidiaries.

7. Earnings/(loss) per share

The calculation of the basic and fully diluted earnings/(loss) per share is based on the profit for the year of HK$26,549,000 (2001: loss of HK$638,458,000, as restated). The calculation of basic earnings/(loss) per share is based on the weighted average of 899,708,677 ordinary shares (2001: 618,375,185 ordinary shares) in issue after the consolidation of shares on 22 October 2001. The calculation of fully diluted earnings per share for the year ended 31 March 2002 is based on the weighted average of 899,708,677 ordinary shares in issue during the year plus the weighted average of 498,980,916 ordinary shares deemed to be issued at no consideration assuming all outstanding share options had been exercised and the preference shares had been converted into ordinary shares of the Company.

No diluted loss per share for the year ended 31 March 2001 has been presented as the effect of the exercise of the share options would be anti-dilutive to the result of that year.

MANAGEMENT DISCUSSION AND ANALYSIS

(A) OPERATIONAL REVIEW

Publishing Business

2001 may not have been the best year, but for Next Media, its numbers can verify how momentous and striking the year has been.

In October 2001, Next Media's acquisition of the entire issued share capital of Database Gateway Limited ("DGL") (the "Acquisition") was completed and immediately it contributed to improving the Group's business portfolio as well as strengthening its sound financial position. Today, the Group's publishing business and the printing business for newspaper and magazines in Hong Kong contributed immensely to its overall impressive performance during the year under review. Finally, Next Media has come together to leverage and complement on the strengths and resources of each division, so as to witness how its publications can continue to lead the market, surpass its expected target and satisfy different demographics and tastes.

With four of the market's most popular weekly magazines and the second most widely read newspaper, the Group's publishing business has always been the biggest revenue generator. Such enviable performance is the result of the synergetic effect of the Acquisition that led to an immediate turnaround and its clear and focused corporate philosophy and business strategies.

The largest Chinese-language print media group, and undeniably one of the most controversial, aims to be the most successful and the most profitable while abiding to its

principle of delivering the truth and daring to reveal and report news and happenings that touch upon people's lives.

In Hong Kong, the Group published one newspaper, *Apple Daily*, and four magazines, including *Next Magazine*, *Easy Finder* and *Sudden Weekly* that is bundled with *Eat & Travel Weekly*.

For the five months since the Acquisition, *Apple Daily* accounted for approximately 48.5% or HK$543.70 million of total sales for the Group. The segment results for newspaper publication is approximately HK$104.06 million. Turnover for magazine publication amounted to approximately HK$414.85 million as compared to approximately HK$157.54 million of last year. Such increase in turnover is attributable by the five months results of the three magazines acquired through the Acquisition and the turnover of *Taiwan Next Magazine*. Segment results for magazine publication is at a loss of approximately HK$98.53 million for year ended 31 March 2002 as compared to a profit of approximately HK$29.27 million for year ended 31 March 2001 primarily due to the loss of *Taiwan Next Magazine* of approximately HK$114.79 million and the amortisation of masthead of approximately HK$16.37 million. The results of magazine publishing business of the Group was worsened due to the downturn of economy and set back of advertising revenue following the "911" incident in the U.S.

Since its launch in 1995, *Apple Daily* has successfully become the second most popular local newspaper within a year and eventually an essentiality amongst business executives. As evidenced by the latest Asia Business Readership Survey 2001 report, its readership of affluent business executives rose from 43.0% in 1999 to 49.0% in 2001, indicating that *Apple Daily* has successfully become the most popular newspaper amongst the elites of Hong Kong's population.

Apple Daily has also accomplished the first of many in numerous aspects. Never has there been a newspaper that could break even within its second year of operations. Never has there been a full colored newspaper and such well-designed layout. For the six months ended 31 December 2001, *Apple Daily* was audited by Hong Kong Audit Bureau of Circulation ("HKABC") and recorded an average daily circulation of 361,134.

The Group's publications also continued to maintain its leadership roles during the year under review. *Next Magazine*, No.1 by readership in the weekly magazine market according to 2002 March ACNielsen Hong Kong Media Index RARD Report ("ACNielsen RARD Report"), recorded encouraging results for the year under review. According to HKABC, it recorded 144,108 in average weekly circulation for the six months ended 31 December 2001.

Easy Finder, a weekly magazine targeting those who stay abreast of latest fashionable trends, continued to attract mostly readers between the ages of 15 and 34. *Easy Finder* is currently ranked third in terms of weekly magazine readership in Hong Kong according to ACNielsen RARD Report and its average weekly circulation for the six months ended 31 December 2001 is 101,714.

Sudden Weekly and *Eat & Travel Weekly* recorded an average weekly circulation of 126,377 and 48,062 respectively for the six months ended 31 December 2001. *Sudden Weekly* is ranked second in readership according to ACNielsen RARD Report. The two publications merged on 4 January 2002, and the Group slashed the price to HK$8 for the bundle. The cut in price was a strategy to capture market share as an effort to increase readership, advertising revenue and long-term profitability.

To capture the young executives and senior management, Next Media has done so with its *Apple Daily*. For the young, trendy and fashionable, it has *Easy Finder*. Those who want leisure and lifestyle have already become loyal patrons of the *Sudden Weekly* and *Eat & Travel Weekly* bundle. For all others, whether they be retirees, students, CEOs, housewives, elderly or social elites, there is *Next Magazine* that incorporates news, fashion, gossips, current affairs or leisure articles, both domestically and internationally. The readership profiles according to ACNielsen RARD Report have clearly illustrated that publications of Next Media have successfully captured all segments of the mass market, regardless of age, household income or education background.

Next Media is confident of repeating history in the Taiwan market as it did with the successful Next Magazine and Apple Daily.

Hong Kong is the world's third largest Chinese printed media market, with Taiwan as second and the PRC as the largest. Witnessing success in the Hong Kong market, it is a logical step for the Group to venture into the second largest market - Taiwan. With sheer confidence in the impressive track record of its publications, the Group has high hopes for the fragmented Taiwan market that is gradually opening up and stabilizing. Although the Taiwan market has an ill-defined perception of publication business, the market is highly divided by an overwhelming number of publications with very small market share each. Yet, time is the best remedy and the Group is optimistic of accomplishing equal, if not even better, results than what it has done for the Hong Kong market.

Only launched in Taiwan on 31 May 2001, *Taiwan Next Magazine* is already No.1 in the weekly magazine readership, as verified by the ACNielsen report for the period of October 2001 to March 2002. According to the Taiwan Audit Bureau of Circulation, the average weekly circulation of *Taiwan Next Magazine* is 186,989 for the period from 31 May 2001 to 31 December 2001 and its mid term target is 200,000.

Turnover of *Taiwan Next Magazine* amounted to approximately HK$101.05 million during the 10 months since launch until 31 March 2002, and the advertising revenue is below expectations. Looking ahead, the Group believes that the Taiwan economy will continue to improve and *Taiwan Next Magazine* will break even by the end of fiscal year 2003. The Group intends to venture into the Taiwanese newspaper market with *Apple Daily* in the second quarter of 2003. While it has been ridiculed that no foreign publications have ever been successful in the Taiwanese market, the Group is confident that its impressive and speedy entrance into the Hong Kong market seven years ago can be witnessed again for the Taiwan market. Next Media understands that it is difficult to enter the Taiwan market, but nothing is deemed impossible for the Group.

Printing Business

The printing business serves to complement the Group's core business and contribute to a stable cash flow.

The Group's printing business, known as Paramount, was one of its core businesses until the completion of the Acquisition in October 2001. At present, the printing business serves to complement the Group's publishing business with its state of the art printing equipment that produces high printing quality. The printing business is mostly used for the Group's newspaper and magazine printing as well as some magazine and book printing for outside clients in the US, Europe and Australasia.

The Group's printing business contributed approximately HK$347.41 million in turnover for the year ended 31 March 2002. Approximately HK$129.20 million came from newspaper printing (five months effect for the current year) and HK$218.21 million came from books and magazine printing.

In addition, approximately HK$347.41 million printing income represented inter-segment printing of approximately HK$195.72 million and approximately HK$151.69 million from external customers. Segment results for newspaper printing for the five months since the Acquisition is approximately HK$56.28 million while magazine printing contributed to approximately HK$13.32 million as compared to approximately HK$10.29 million last year. In total, the segment results for printing business increased by approximately HK$59.31 million.

The Hong Kong market accounted for approximately HK$91.10 million, or 60.1%, of the total external printing income. Followed by the North America market, the second largest contributor, that brought forth approximately HK$34.36 million in revenue, or approximately 22.7%.

Through achieving economies of scale, the printing business serves as an additional steady income stream as well as offer convenience to the Group.

Internet Business

The Group took a hard fall when it ventured into the Internet business, but now the portal is EBITDA positive and likely to break even by 2003.

The Group's Internet operation serves a channel to reach out to the overseas market and offer them its valuable content. During the period under review, the portal contributed to approximately HK$10.64 million of the Group's total sales, partly due to the implementation of a subscriber model. Advertising revenue witnessed a slight increase from the previous year and amounted to approximately HK$4.25 million, while selling content increased by three folds over 2001 and reached approximately HK$1.84 million. Most important of all, the new subscriber model has contributed to a revenue of approximately HK$4.05 million for its Internet business as compared to approximately HK$0.73 million of revenue for the previous year. Revenue from the existing nearly 17,000 subscribers accounted for approximately 38.1% of total Internet sales. The Internet business recorded a loss of HK$31.67 million for year 2002. Along with its aggressive cost control measures and enlarged revenue base, the Group will ensure that its Internet business becomes self-sufficient and continue to offer convenience for its subscribers.

Next Media will never sacrifice nor neglect its business philosophy and ethics of truth, honesty and democracy. Every attempt is aimed at being the best and the most successful to benefit the end users - the valuable readers.

(B) FINANCIAL REVIEW

The purpose of this review is to highlight key financial and operating information on the Group's performance during the year under review.

Consolidated Financial Results

TURNOVER

Turnover of the Group surged by 219.8% and increased from approximately HK$350.44 million in 2001 to approximately HK$1,120.88 million for the year ended 31 March 2002. According to the revenue breakdown by principal market, Hong Kong continued to be the biggest revenue contributor at approximately HK$959.24 million, a tremendous increase from the previous approximately HK$284.45 million, while the Taiwanese market also joined in on the revenue pie and added approximately HK$101.05 million for the year under review. As compared to the corresponding period in 2001, the Hong Kong market witnessed a 237.2% turnover growth during the year. As evidenced by the revenue breakdown by principal activity, newspaper publishing alone contributed 48.5% or approximately HK$543.70 million of the Group's total turnover. Turnover of magazine publishing increased by 163.3% from approximately HK$157.54 million for 2001 to approximately HK$414.85 million for 2002. All in all, the Group's impressive performance for the year ended 31 March 2002 was mostly attributable to the successful Acquisition.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2002.

EBITDA AND NET PROFIT

During the year, EBITDA reached approximately HK$167.74 million as compared to the loss of approximately HK$79.11 million (excluding the impairment loss for goodwill) in last year. The turnaround was mainly the result of the Acquisition.

Net profit amounted to approximately HK$26.55 million as compared to a recurring loss of approximately HK$156.30 million (excluding an impairment loss on goodwill of HK$482.16 million) last year. The Group has recorded net loss for the past years, and this year it finally witnessed a turnaround based on the five months of enormous profit brought forth by the Acquisition. Similarly, the Group's basic and fully diluted EPS amounted to HK3 cents and HK2 cents respectively for the year under review.

TOTAL EXPENSES

During the year under review, production cost, which included direct labor, accounted for 62.0% of its total expenses and amounted to approximately HK$673.85 million. Personnel costs, excluding direct labor, accounted for 12.3% and amounted to approximately HK$133.68 million. Depreciation for machines and equipment also contributed to 6.1%, or approximately HK$66.71 million of the total expenses. Due to the capitalization of the shareholder's loan and the issuance of non-voting convertible preference shares as well as ordinary shares to satisfy capital needs, finance costs was lowered by 64.9% and amounted to approximately HK$9.66 million as compared to the previous year.

TAXATION

The Group's taxation charge reached approximately HK$27.09 million as compared to approximately HK$6.76 million of last year, representing an increase of 300.7%. The increase in taxation charge was principally due to the Group's turnaround from its Acquisition as compared to the previous years, where some principal subsidiaries of Next Media were operating at a loss.

ADDITIONAL FINANCIAL INFORMATION

The turnover and profit before amortisation of DGL and its subsidiaries (the "DGL Group") for the year ended 31 March 2002 were HK$2.11 billion and HK$314.80 million respectively. As the Acquisition was completed in October 2001, pre-acquisition turnover of HK$1.25 billion and profit before amortisation from the period of 1 April 2001 to 26 October 2001 of HK$132.46 million were not reflected in the consolidated profit and loss account of the Group.

The turnover and profit before amortisation of the DGL Group for the period from 27 October 2001 to 31 March 2002 after the Acquisition amounted to HK$0.86 billion and HK$182.34 million respectively, which were included in the consolidated profit and loss account of the Group for the year ended 31 March 2002.

Financial Position

CURRENT ASSETS AND CURRENT LIABILITIES

As at 31 March 2002, the Group's current assets increased by around 727.9% to approximately HK$965.30 million (2001: HK$116.59 million) as a result of the Acquisition whilst current liabilities also increased by around 133.7% and amounted to approximately HK$263.26 million (2001: HK$112.66 million). Total cash on hand amounted to about approximately HK$567.11 million as at 31 March 2002. The current ratio as at 31 March 2002 was 366.7% comparing to 103.5% as at 31 March 2001.

ACCOUNTS RECEIVABLE

During the year under review, the Group's accounts receivable surged tremendously, from approximately HK$43.40 million in 2001 to approximately HK$312.52 million in 2002. Turnover days of accounts receivable was 58.0 days in 2002 as compared to 48.5 days in 2001. The reason for the increase was due to the Acquisition as the credit terms for magazine and newspaper advertising sales to advertising agents are ranged from 90 to 120 days.

ACCOUNTS PAYABLE

Accounts payable increased by 149.0% and amounted to approximately HK$59.99 million (2001: HK$24.09 million) due to the Acquisition. Turnover days of accounts payable was 43.5 days as at 31 March 2002 as compared to 126.5 days in 2001. The main reason for such decrease was due to the differences in payment terms of the subsidiaries acquired through the Acquisition.

LONG TERM AND SHORT TERM LIABILITIES

Long-term liabilities totaled approximately HK$249.78 million as compared to HK$329.32 million in the previous year, while current portion repayable within one year of long-term liabilities was approximately HK$58.84 million as compared to HK$27.94 million last year. The Group was able to reduce its long-term liabilities by 24.2% due to the capitalization of shareholder's loan.

BORROWINGS AND GEARING

As at 31 March 2002, the Group has available banking facilities totaling around HK$312.00 million and of which around HK$256.47 million was utilized. There is no seasonality of borrowing requirements. All borrowings and cash of the Group were mainly held in Hong Kong Dollars as at 31 March 2002. The Group's banking facilities are secured by the Group's land and buildings and machinery with an aggregate net book value of around HK$633.13 million and a charge on deposit in the amount of around HK$3.52 million. No bank borrowings is charged at fixed interest rate. The gearing ratio of the Group was 7.0% as at 31 March 2002 as compared to 51.2% in 2001. The gearing ratio was calculated by dividing the long term liabilities by the total assets. Subsequent to year end, the Group obtained a short-term loan facility of NT$600.00 million (equivalent to approximately HK$136.80 million).

SHAREHOLDERS' FUND

Shareholders' fund as at 31 March 2002 increased 1,243.2% to HK$3,047.79 million from HK$226.90 million (as restated) as at 31 March 2001. Among which, there was a HK$2,030.00 million for non-voting convertible preference shares and HK$1,233.66 million for ordinary shares. The Group's negative reserves amounted to HK$215.87 million as compared to negative reserves of HK$420.74 million in the previous year. During the year under review, there was no share repurchase.

SHARE CAPITAL

In October 2001, the Company has consolidated every five ordinary shares of HK$0.20 each to one share of HK$1.00. Authorized share capital was increased from HK$900.00 million to

HK$4,600.00 million by the creation of 1,670 million ordinary shares of HK$1.00 each and 1,160 million non-voting convertible preference shares of HK$1.75 each. After consolidation, the Company issued 429,090,909 ordinary shares at the price of HK$1.375 each and 1,160 million preference shares at the price equal to their par value of HK$1.75 each to satisfy the consideration of the Acquisition. At the same time, the Company issued 156,931,505 ordinary shares at the price of HK$1.375 each in repayment of the shareholder loan and interest owed to Mr. Lai Chee Ying, Jimmy ("Mr. Lai").

CASH FLOW

Net cash provided by operating activities witnessed a turnaround to amount to approximately HK$314.54 million as opposed to an outflow of approximately HK$88.47 million. The turnaround from previous year was attributable to the Acquisition and the reduction in interest expense.

Cash from investing activities amounted to an inflow of approximately HK$366.60 million as compared to an outflow of approximately HK$52.76 million in the previous year. The subsidiaries acquired during the year contributed approximately HK$387.57 million to the Group which explained the main reason for the increase in cash inflow from investing activities.

Net cash outflow from financing activities, which amounted to HK$110.07 million, reflected the payment of share issuing expenses that totalled to HK$42.15 million and the repayment of HK$66.85 million in bank loans.

EXCHANGE RATE RISK AND CAPITAL EXPENDITURE

The assets and liabilities of the Group are mainly denominated either in Hong Kong Dollars or New Taiwanese Dollars. The Group has certain exchange exposure for New Taiwanese Dollars due to the full operation of its magazine publishing business in Taiwan. The Group will closely monitor the overall currency exposure and, when considered appropriate, it will hedge against currency exposure. Subsequent to year end, the Group entered into agreements with certain independent third parties to acquire building premises as its headquarters in Taiwan and to acquire two pieces of land and certain printing machinery in preparation for the launching of the Group's newspaper business in Taiwan. The aggregate purchase prices amounted to approximately HK$500.00 million. These purchases are to be funded by internal resources.

CONTINGENT LIABILITIES

In connection with the Acquisition, 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 arising out of the businesses acquired in the Acquisition. The Directors of the Company, having taken into consideration the advice from the Group's legal counsel and the Indemnity given by Mr. Lai, are of the opinion that any ultimate liability under these proceedings would not have a material impact on the financial position of the Group.

Employees

The media industry is a people's industry. It is created by the people and for the people. That is the reason why Next Media carefully selects its daring, eccentric and witty team of players. Under the guidance of the bold and visionary management, everyone in the workforce with 2,037 staff is given the opportunity to excel, to grow, to speak out, and needless to say, to search and discover while preserving the truth.

Next Media has adopted performance-based employment and remuneration policies to fully recognize and reward every individual's unique and valuable contribution to the Group's success. Employees' remuneration policies are regularly reviewed in the context of individual and business performance, market practice, internal relativities and competitive market pressures. Generous fringe benefits are also provided to give employees the greatest protection at all times. Staff cost, including retirement benefits, amounted to approximately HK$409.18 million for the year. Commencing 1 April 2002, employee performance bonuses are determined annually based on two key factors: individual performance and Group performance as measured by operating profit before tax.

To reward employees for their continuous support and dedication towards the Group and to provide them with an incentive to continue contributing to its success, a total of approximately 16.8 million shares in the Company were given by Mr. Lai and certain other directors and senior management of the Company to around 1,500 employees of the Group at nil consideration by way of gift in May 2002. The Company has a share option scheme where all full-time employees (including executive directors) may be granted the option to subscribe for shares in the Company.

PURCHASE, SALE AND REDEMPTION OF SHARES

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

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

Throughout the year, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

AUDIT COMMITTEE

Current members of the Audit Committee are the two independent non-executive directors: Mr. V-Nee Yeh and Mr. Fok Kwong Hang, Terry.

The Audit Committee reviews the interim and annual financial statements of the Company. And with the assistance of the auditors and Connected and Related Party Transaction Committee, the Audit Committee reviews the adequacy and effectiveness of the Company's system 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
Chow On Kiu, Andrew
Director

Hong Kong, 21 June 2002

Please also refer to the published version of this announcement in the South China Morning Post dated 24 June 2002.