Paramount

PARAMOUNT PUBLISHING GROUP LIMITED

ANNOUNCEMENT OF RESULTS
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 1999

RESULTS

The Board of Directors of Paramount Publishing Group Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th September, 1999 as follows:

	Notes	Six months ended 30th September 1999 HK'000	1998 HK'000
Turnover		**69,023**	148,634
Operating loss			
Continuing operations excluding interest expenses		**(15,767)**	(5,259)
Interest expenses		**(19,915)**	(24,564)
		(35,682)	(29,823)
Share of results of associated companies		**598**	—
Loss from ordinary activities before taxation		**(35,084)**	(29,823)
Taxation	1	**(96)**	—
Loss before minority interests		**(35,180)**	(29,823)
Minority interests		**(411)**	(314)
Loss for the period		**(35,591)**	(30,137)
Loss per share (basic)	2	**(13.1 cents)**	(12.8 cents)

Notes:

1. **Taxation**

   The balance represents the taxation charge attributed to the associated companies.

   No provision for Hong Kong profits tax or overseas profits tax has been made for the period as the Company and its subsidiaries either have no assessable profits or their assessable profits for the period have been wholly absorbed by available tax losses. There is no significant deferred taxation unprovided for the period.

2. **Loss per share**

   The calculation of loss per share is based on the loss for the period of HK$35,591,000 (1998: HK$30,137,000) and on the weighted average number of 270,655,156 shares (1998: 234,686,728 shares) in issue during the period.

   No diluted loss per share has been presented as the exercise of the conversion rights attached to the convertible notes and the exercise of the share options would be anti-dilutive.

INTERIM DIVIDEND

The Board of Directors resolved not to declare any interim dividend for the six months ended 30th September, 1999 (1998: nil).

REVIEW OF OPERATIONS

During the period under review, operations of the Group continued to be adversely affected by the economic depression since the outbreak of the Asian financial turmoil. In light of the weakened market conditions, Group turnover has dropped by 54% to HK$69,023,000. As such, the Group reported a loss of HK$35,591,000 (1998: HK$30,137,000) for the six months ended 30th September, 1999.

As a Hong Kong based printer, the Printing Division continued to suffer from high production costs and strong local currency when compared with competitors in neighbouring countries. Cost saving measures were implemented through rationalizing headcount as well as stringent control over operating expenses to preserve our market position. During the period, the Group had started a 50/50 joint venture with Cheong Ming Holdings Limited to print books. Certain book printing orders were referred by the Group to the joint venture, which partly accounted for the drop in the Group's turnover.

The business of the Reprographic Division was also adversely affected by the poor economic condition and mounting competition from local and overseas reprographic houses. Effective control of headcount and production costs had been implemented to cope with the challenges in the marketplace.

For the Publishing Division, Capital Magazine and Car Plus Magazine continued to maintain a leading position in their respective markets. The Group decided to dispose of the publishing rights of these two magazines to a third party in May 1999 in order to concentrate its resources on more rewarding businesses. The disposal also contributed to the lower turnover figure for the period.

On 29th June, 1999 and 9th August, 1999, convertible notes issued by the Company in the aggregate principal amount of HK$35,000,000 were converted into 77,777,777 ordinary shares in the Company at a conversion price of HK$0.45 per share.

PROSPECTS AND OUTLOOKS

In October 1999, the Group raised approximately HK$123 million by the successful placement of 630,000,000 new shares of the Company. The new fund was used to reduce bank borrowings and settle accounts payable, with the balance as working capital for the Group's operations and future investments. Besides, the Group is arranging new banking facilities for our future requirements.

Also in October 1999, the Group completed the deal with Next Media International Holdings Limited ("Next") to acquire certain internet domain names and web sites, including "nextmedia.com", "easyfinder.com.hk", "jobfinder.com.hk", etc., and the publishing rights and masthead of Easy Finder Magazine from Next. The considerations of acquisition of web business and magazine business were HK$97,500,000 and HK$237,600,000 respectively, satisfied by the issue of 487,500,000 and 1,188,000,000 new shares at HK$0.20 each in the Company respectively. Easy Finder Magazine is one of the most popular leisure magazines in Hong Kong. The acquisition will instantly revive the Publishing Division with significant earnings for the Group. On the other hand, the web sites acquired by the Group will lead the Group into the internet business, which is one of the fastest growing businesses in the world.

Since October 1999, our web sites have been further enriched with new contents. The full version of "Next Magazine" is now available to all viewers for free. A new site "etw.com.hk" is created to accommodate the online version of "Eat & Travel Weekly" magazine. In addition, the "Movie Guide", the "NextStudy" with a complete guide to Hong Kong's kindergartens and primary schools (and application details), and the "NextForum" to discuss hot issues in town, have also been added to the "nextmedia.com" web site.

Other new sites introduced recently include "nextravaler", "nextecard" and "nexteat". Through these sites, viewers can access information on the latest movie releases, obtain guides and street maps to 50 cities, send electronic greeting cards all over the world, and view Christmas and New Year buffet menus of leading restaurants and hotels. New contents are continuously being developed.

The total average daily page views of our web sites have been increased significantly from approximately 500,000 in June 1999 to over 1,500,000 by early December 1999. Number of employees in the web business has jumped from 9 at the end of July 1999 to over 50 at the end of November 1999. Substantive further investments will be made in terms of human and capital resources to enrich the content of the web sites, creating a user-friendly platform to develop e-commerce business. All these testified to the Group's dedication in developing and expanding the web business. The Group believes that the web business will bring considerable value to the Group in the future.

Recently, the Group has been awarded a number of printing contracts by Next. Such contracts almost fill up our commercial printing machine capacity which was substantially under-utilized in the past. The Board of Directors is confident that these orders, in addition to the magazine business and web business acquired as mentioned above, will help enhance the Group's prospects.

YEAR 2000 ISSUE

The Group has disclosed information relating to Year 2000 issue in its 1999 Annual Report and has achieved Year 2000 compliance in all critical systems and equipment. Nonetheless, the expert task force set up by the Group will continue to monitor potential Year 2000 related system disruptions so as to ensure the Group's business will not be affected. The total cost associated with the Year 2000 project is immaterial and has been covered in the routine budgeting of the Group's expenditure. There is no substantial financial commitment as of 30th September, 1999 in respect thereof.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30th September, 1999, there was no purchase, sale or redemption of listed securities of the Company by the Company or any of its subsidiaries.

CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by this interim report, 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 of Hong Kong Limited.

By order of the Board
Yeung Wai Hong
Director

Hong Kong, 15th December, 1999