

NEXTmedia

NEXT MEDIA LIMITED

(a company incorporated in Hong Kong with limited liability)
(Stock Code: 282)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2005

HIGHLIGHTS

- The Group recorded a profit attributable to shareholders of HK\$104.3 million, against a loss of HK\$89.9 million in the previous financial year.
- Segment profit from *Taiwan Next Magazine* increased to HK\$45.4 million, up 377.9%.
- Next Magazine*, *Sudden Weekly* and *Eat & Travel Weekly* achieved solid advertising revenue increase within the range of 9.2% to 10.3%.

The Board of Directors of Next Media Limited (the "Company" or "Next Media") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2005 together with the comparative figures for the previous year.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2005

		2005	2004
	Notes	HK\$'000	HK\$'000
Turnover	2	2,932,172	2,437,109
Production costs		(1,805,171)	(1,605,665)
Gross profit		1,127,001	831,444
Other revenues	2	28,661	26,568
Personnel costs excluding direct production staff costs		(323,652)	(319,218)
Depreciation and amortisation of fixed assets		(142,465)	(137,856)
Amortisation of intangible assets		(91,539)	(91,539)
Other administrative expenses		(288,431)	(313,755)
Impairment loss recognised in respect of an intangible asset	6	(136,918)	-
Other expenses		(4,260)	(4,076)
Operating profit (loss)		168,397	(8,432)
Finance costs	3	(6,083)	(7,439)
Share of results of associates		830	-
Profit (loss) before taxation		163,144	(15,871)
Taxation	4	(58,887)	(74,085)
Profit (loss) after taxation		104,257	(89,956)
Minority interests		-	36
Profit (loss) for the year		104,257	(89,920)
Dividends		-	-
Earnings (loss) per share	5		
- Basic		7 cents	(6) cents
- Diluted		4 cents	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 March 2005

	Notes	2005	2004
		HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Intangible assets	6	1,345,881	1,574,338
Fixed assets		1,775,604	1,856,620
Interests in associated companies		-	(830)
Deferred tax assets		1,058	9,481
		3,122,543	3,439,609
CURRENT ASSETS			
Inventories		183,710	128,977
Accounts receivable, deposits and prepayments	7	523,354	480,497
Bank balances and cash		598,772	373,623
		1,305,836	983,097
CURRENT LIABILITIES			
Accounts payable and accrued charges	8	372,713	398,431
Current portion of long-term liabilities		53,793	60,636
Tax liabilities		15,578	24,398
		442,084	483,465
NET CURRENT ASSETS		863,752	499,632
TOTAL ASSETS LESS CURRENT LIABILITIES		3,986,295	3,939,241
NON-CURRENT LIABILITIES			
Long-term liabilities		163,441	235,758
Pension obligations		19,061	13,935
Deferred tax liabilities		316,961	362,547
		499,463	612,240
MINORITY INTERESTS		2,060	2,000
NET ASSETS		3,484,772	3,325,001
CAPITAL AND RESERVES			
Share capital		3,092,774	3,088,635
Reserves		391,998	236,366
SHAREHOLDERS' FUNDS		3,484,772	3,325,001

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 Institute of Certified Public Accountants ("HKICPA"). 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 2004.

In 2004, the HKICPA issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (hereinafter collectively referred to as "HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these HKFRSs in the financial statements for the year ended 31 March 2005.

The Group has commenced considering the potential impact of these HKFRSs but is not yet in a position to determine whether these HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

2. Turnover, revenues and segmental information

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

	2005	2004
	HK\$'000	HK\$'000
Turnover		
Sales of newspapers	659,598	565,382
Sales of books and magazines	308,025	317,868
Newspapers advertising income	1,197,119	929,004
Books and magazines advertising income	577,222	468,063
Printing and reprographic services income	166,225	135,925
Internet content provision and advertising income	23,983	20,869
	2,932,172	2,437,109
Other revenues		
Sales of waste materials	18,250	17,693
Interest income on bank deposits	4,672	2,343
Rental income	1,741	2,063
Others	3,998	4,469
	28,661	26,568
Total revenues	2,960,833	2,463,677

The Group's primary format for reporting segment information is business segments. The Group's major business segments and their corresponding regions of operations are summarised below:

Business segments	Regions of operations
Newspapers publication and printing	Hong Kong and Taiwan
Books and magazines publication	Hong Kong and Taiwan
Books and magazines printing	Hong Kong, Taiwan, North America, Europe and Australasia
Internet content provision and advertising	Hong Kong

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

Analysis of business segment results for the year ended 31 March 2005 and financial position as at 31 March 2005

	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	Eliminations HK\$'000	Consolidated HK\$'000
PROFIT AND LOSS ACCOUNT						
TURNOVER						
External sales	1,916,855	885,247	106,087	23,983	-	2,932,172
Inter-segment sales	-	71	173,571	-	(173,642)	-
	1,916,855	885,318	279,658	23,983	(173,642)	2,932,172
Segment results	107,320	(24,056)	45,223	11,249	-	139,736
Other revenues						28,661
Operating profit						168,397
Finance costs						(6,083)
Share of results of associates						830
Profit before taxation						163,144
Taxation						(58,887)
Profit after taxation						104,257
Minority interests						-
Profit for the year						104,257

	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	Eliminations HK\$'000	Consolidated HK\$'000
BALANCE SHEET						
ASSETS						
Segment assets	3,317,069	673,555	430,462	6,235	-	4,427,321
Unallocated assets						1,058
Total assets						4,428,379
LIABILITIES						
Segment liabilities	(204,511)	(131,244)	(45,043)	(8,358)	-	(389,156)
Unallocated liabilities						(52,391)
Total liabilities						(941,547)
OTHER INFORMATION						
Capital expenditure	(15,993)	(13,302)	(1,586)	(1,713)	-	(32,594)
Depreciation and amortisation of fixed assets	(110,384)	(13,101)	(18,558)	(422)	-	(142,465)
Amortisation of intangible assets	(61,991)	(29,548)	-	-	-	(91,539)
Impairment loss on an intangible asset	-	(136,918)	-	-	-	(136,918)
Revaluation deficit on fixed assets	(3,224)	-	-	-	-	(3,224)
Other non-cash expenses	(10,942)	(2,246)	(1,872)	(228)	-	(15,288)

Analysis of business segment results for the year ended 31 March 2004 and financial positions as at 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	Eliminations HK\$'000	Consolidated HK\$'000
PROFIT AND LOSS ACCOUNT						
TURNOVER						
External sales	1,531,052	785,929	99,259	20,869	-	2,437,109
Inter-segment sales	-	23	156,709	57	(156,789)	-
	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 for the year						(89,920)
BALANCE SHEET						
ASSETS						
Segment assets	3,214,850	794,918	401,088	3,199	-	4,414,055
Interests in associated companies						(830)
Unallocated assets						9,481
Total assets						4,422,706
LIABILITIES						
Segment liabilities	(267,447)	(92,264)	(43,010)	(7,025)	-	(409,746)
Unallocated liabilities						(685,959)
Total liabilities						(1,095,705)
OTHER INFORMATION						
Capital expenditure	(116,457)	(10,276)	(15,066)	(508)	-	(142,307)
Depreciation and amortisation of fixed assets	(105,083)	(13,953)	(18,613)	(207)	-	(137,856)
Amortisation of intangible assets	(61,991)	(29,548)	-	-	-	(91,539)
Revaluation deficit on fixed assets	(3,839)	-	-	-	-	(3,839)
Other non-cash expenses	(5,225)	(1,165)	(1,141)	(179)	-	(7,710)

Secondary reporting format - geographical segments

	2005		2004	
	Turnover HK\$'000	Segment results HK\$'000	Turnover HK\$'000	Segment results HK\$'000
Hong Kong	1,969,225	262,971	1,896,885	498,047
Taiwan	881,483	(157,917)	465,500	(563,839)
North America	48,948	18,697	48,176	17,054
Europe	21,549	10,298	20,999	10,808
Australasia	6,921	3,593	5,549	2,930
Others	4,046	2,094	-	-
	2,932,172	139,736	2,437,109	(35,000)
Other revenues		28,661		26,568
Operating profit (loss)		168,397		(8,432)
2005				
	Total assets HK\$'000	Capital expenditure HK\$'000	Total assets HK\$'000	Capital expenditure HK\$'000
Hong Kong	2,993,417	21,940	3,222,836	27,572
Taiwan	1,428,407	10,626	1,182,462	114,708
North America	5,497	28	8,757	27
	4,427,321	32,594	4,414,055	142,307
2004				
	Total assets HK\$'000	Capital expenditure HK\$'000	Total assets HK\$'000	Capital expenditure HK\$'000
Interests in associated companies	-	-	(830)	-
Unallocated assets	1,058	-	9,481	-
Total assets	4,428,379	-	4,422,706	-

3. Finance costs

	2005	2004
	HK\$'000	HK\$'000
Interest expenses on bank borrowings: wholly repayable within five years	6,083	5,927
not wholly repayable within five years	-	1,512
	6,083	7,439

4. Taxation

	2005	2004
	HK\$'000	HK\$'000
The charge (credit) comprises:		
Current tax:		
Current year	96,953	106,406
Overprovision in prior years	(895)	(1,074)
	96,058	105,332
Deferred tax:		
Current year	(37,171)	(31,247)
Taxation attributable to the Company and its subsidiaries	58,887	74,085

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for both years.

Taxation arising in other jurisdictions was calculated at the rates prevailing in the relevant jurisdictions.

5. Earnings (loss) per share

The calculation of the basic and diluted earnings (loss) per share is based on the following data:

	2005	2004
	HK\$'000	HK\$'000
Profit (loss) for the year:		
Earnings (loss) for the purposes of basic and diluted earnings (loss) per share	104,257	(89,920)

	No. of shares
2005	2004
1,480,810,328	1,410,756,130

Share options

	2005	2004
	HK\$'000	HK\$'000
Convertible preference shares	5,570,493	920,000,000

Weighted average number of ordinary shares for the purposes of diluted earnings per share

	2005	2004
	HK\$'000	HK\$'000
Weighted average number of ordinary shares for the purposes of diluted earnings per share	2,406,380,821	-

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

6. Intangible assets

COST

	2005	2004
	HK\$'000	HK\$'000
At 1 April 2004		1,820,930

ACCUMULATED AMORTISATION AND IMPAIRMENT

Next Magazine (Ranking No. 2 in terms of readership)

The information from 2004 ACNielsen Year-end Report demonstrated that, with an average readership of approximately 485,000 during 2004, *Next Magazine* maintained its No. 2 ranking in the Hong Kong weekly magazine market. The above figure translated into a slight decline of approximately 0.8% when measured against the approximately 489,000 average readership figure for 2003. Data from HKABC indicated that *Next Magazine* achieved an average weekly circulation of 141,642 copies in the six months ended 31 December 2004. This figure represented a slight decline of approximately 3.8% when compared to the 147,237 figure for the equivalent period during the previous year.

The slight loss of revenue from circulation was more than offset by an increase in *Next Magazine's* advertising income. During the year under review, *Next Magazine* generated approximately HK\$189.7 million in advertising revenue, representing an increase of approximately 9.2% over the approximately HK\$173.7 million figure recorded for the year ended 31 March 2004. The title's ability to deliver a far higher percentage of male and female readers with post-secondary/tertiary education levels than any other weeklies has long made it a first choice for advertising campaigns. Given the high popularity *Next Magazine* enjoys among young, affluent managers and professionals, it is likely to remain a favourite title for many years to come.

Sudden Weekly and *Eat & Travel Weekly* ("*Sudden Weekly Bundle*") (Ranking No. 1 in terms of readership)

During the twelve months ended 31 December 2004, the *Sudden Weekly Bundle* continued to rank No. 1 in the Hong Kong weekly magazine market with an average readership of approximately 545,000 according to the 2004 ACNielsen Year-end Report. Firmly established as the most widely read of all Hong Kong weeklies, the *Sudden Weekly Bundle* had an audited circulation of 198,811 copies for the six months ended 31 December 2004. This figure translated into a slight rise of approximately 1.2% when measured against the 196,539 audited circulation figure for the same period in 2003.

The 2004 ACNielsen Year-end Report indicated that approximately 74.4% of all regular *Sudden Weekly Bundle* readers are females, with approximately 77.1% of this group falling within the 15 to 44 age bracket. The *Sudden Weekly Bundle's* unique breadth and depth of appeal is a direct result of its clear positioning, market focus and up-to-the-minute image.

For the year ended 31 March 2005, the *Sudden Weekly Bundle's* revenue stood at approximately HK\$226.6 million. This figure represented an increase of approximately 6.9% when measured against approximately HK\$212.0 million in revenue recorded during the previous financial year. *Sudden Weekly Bundle's* strong mass market appeal continued to be a strong draw for advertisers and their media buyers. Consequently, the *Sudden Weekly Bundle's* total advertising revenue of approximately HK\$153.6 million for the year just ended showed an increase of approximately 10.3% over the equivalent figure of approximately HK\$139.3 million for the previous financial year.

Easy Finder and *Eat & Travel Weekly* ("*Easy Finder Bundle*") (Ranking No. 3 in terms of readership)

Easy Finder Bundle continued to occupy third place in Hong Kong's weekly magazine market with an average weekly readership of approximately 310,000 during 2004. When measured against the corresponding figure of approximately 308,000 for 2003, this represented a slight increase of approximately 0.6%.

Renowned for its insightful coverage of hot, new fashions and trends, *Easy Finder Bundle* remains a 'must-read' for younger, brand-conscious readers. As a result, approximately 36.9% of those who regularly read the title are aged between 15 and 24 years old. Consequently, *Easy Finder Bundle* continues to be one of the first additions to media schedules of all major up-to-the minute brands. For the year ended 31 March 2005, *Easy Finder Bundle's* combined annual revenue from both circulation and advertising stood at approximately HK\$140.3 million. This figure represented an increase of approximately 30.5% when compared against the approximately HK\$107.5 million the title recorded during the previous financial year.

Taiwan Next Magazine (Ranking No. 1 in terms of readership)

The Group's first foray into the Taiwanese market, *Taiwan Next Magazine* followed in its Hong Kong prototype's footsteps by quickly establishing a reputation for pulling no journalistic punches. Four years on from its May 2001 launch, the title continues to be probably the most talked about – and dominant – weekly in Taiwan.

The data from ACNielsen Taiwan for the period from July to December 2004 indicated that the title enjoyed an average readership of approximately 1,574,000. The ROCABC figures demonstrated that the title's circulation for the last six months of 2004 were 3,782,972 copies. Broken down on a weekly basis, this figure translated into a weekly circulation of approximately 140,108 and represented an encouraging increase of approximately 3.4% when measured against the approximately 135,541 equivalent figure for 2003.

Total advertising income for *Taiwan Next Magazine* during the year under review reached approximately HK\$138.8 million, a strong increase of approximately 39.8% over the approximately HK\$99.3 million figure for the previous financial year. Ultimately, the title reported a segment profit of approximately HK\$45.4 million during the year under review. This figure translated into a remarkable increase of approximately HK\$35.9 million or approximately 377.9% over the approximately HK\$9.5 million profit achieved in the previous financial year.

The Group has every confidence that *Taiwan Next Magazine's* 'must-read' status among readers will continue to translate into solid bookings from Taiwan's leading advertisers and advertising agencies. Such a development is sure to provide the title with the revenues it needs to cement its sustained profitability during the years ahead.

Books and Magazines Printing Division

The Books and Magazines Printing Division continued to make a significant contribution to the Group's publishing business during the year under review. When intersegmental transactions worth approximately HK\$173.6 million are included, the Division's turnover for the year just ended stood at approximately HK\$279.7 million. This figure translated into an increase of approximately 9.3% over the approximately HK\$256.0 million pre-elimination figure for the previous financial year.

External customers from Hong Kong, North America, Europe and Australasia continue to be steady customers for the services of this Division. During the year under review, orders from external customers contributed approximately HK\$106.1 million in additional revenue. This figure represented an increase of approximately 6.8% when measured against the corresponding total of approximately HK\$99.3 million for the previous financial year. *Next Media* remains confident that its commercial printing activities will continue to be a steady source of income in the coming years.

For the year ended 31 March 2005, intersegmental printing transactions accounted for approximately HK\$173.6 million, or approximately 62.1% of the Division's revenue. This figure translated into respective increases of approximately HK\$16.9 million and approximately 10.8% over the equivalent figures for the previous financial year.

Internet Division

The Group's Internet Division offers local and overseas readers an easily affordable alternative to their favourite *Next Media* titles.

During the year just ended, the Group's Internet Division generated revenue of approximately HK\$24.0 million. This figure represented a year-on-year increase of approximately 14.8% over the approximately HK\$20.9 million recorded during the previous financial year. Segment profit for this Division also increased from approximately HK\$9.5 million in the previous financial year to approximately HK\$11.2 million during the year under review.

The Internet Division's main source of income comes from subscription fees, advertising revenue and content licensing. The Division's sound growth during the year just ended was largely attributable to the growth of its overseas subscriber base and increase in advertising revenue.

The Group remains cautiously optimistic that its Internet Division's advertising revenue will continue to grow as more and more advertisers experiment with web-based marketing initiatives. For this reason, the Division will continue to seek opportunities to increase its revenue streams, while maintaining tight controls on costs.

FINANCIAL REVIEW

Turnover

During the year ended 31 March 2005, total turnover for the Group grew to approximately HK\$2,932.2 million. This figure represented an increase of approximately 20.3% over the approximately HK\$2,437.1 million figure achieved during the year ended 31 March 2004. This increase in turnover was largely driven by *Taiwan Apple Daily*, which contributed approximately HK\$661.6 million or approximately 22.6% of the total turnover for the year under review.

Viewed by market basis, Hong Kong continued to be the Group's biggest revenue earner, contributing approximately HK\$1,969.2 million or approximately 67.2% of the total turnover during the year just ended.

Taiwan remained *Next Media's* second largest source of revenue, and achieved a turnover of approximately HK\$881.5 million during the year under review. This figure represented a year-on-year increase of approximately 89.4% over the approximately HK\$465.5 million generated in the previous financial year. Encouragingly, the Taiwan market continued to maintain the upward trend it began during 2004. A strong increase of approximately 39.8% in *Taiwan Next Magazine's* advertising revenue further enhanced the Group's turnover during the year just ended.

Broken down by principal activity, newspapers publication and printing business continued to be *Next Media's* largest source of revenue. During the year under review, the Group's Newspapers Publication and Printing Division contributed approximately HK\$1,916.9 million or approximately 65.4% of all turnover. These figures represented an increase of approximately HK\$385.8 million or approximately 25.2% over the respective figures of approximately HK\$1,531.1 million or approximately 62.8% of the total turnover generated during the previous financial year.

Next Media's Books and Magazines Publication Division also posted satisfactory results during the year under review, contributing approximately HK\$885.2 million or approximately 30.2% of the total turnover. The Internet Division was another contributor which generated approximately HK\$24.0 million or approximately 0.8% of the Group's total turnover for the year just ended. The two Divisions showed respective year-on-year increases of approximately 12.6% and approximately 14.8% over the corresponding figures of approximately HK\$785.9 million and approximately HK\$20.9 million for the previous financial year.

Dividend

The Board does not recommend the payment of a dividend for the year ended 31 March 2005.

EBITDA and Segment Results

Next Media's Earnings Before Interest, Taxes, Depreciation and Amortisation ("*EBITDA*") and before impairment loss recognised in respect of an intangible asset for the year just ended reached approximately HK\$540.1 million. This figure represented a strong increase of approximately 144.4% over the approximately HK\$221.0 million recorded during the previous financial year. The significant improvement in the Group's performance during the year under review was primarily due to the measurable increases *Taiwan Apple Daily* achieved in terms of both its circulation and advertising sales. An increase in *Taiwan Next Magazine's* advertising sales helped to further enhance its performance.

For the year ended 31 March 2005, the Group had achieved a segment profit of approximately HK\$139.7 million. This figure represented a marked improvement over the segment loss of approximately HK\$35.0 million recorded in the previous financial year.

The Group's segment profit for its Newspapers Publication and Printing Division during the year under review was approximately HK\$107.3 million. Much of this figure was directly attributable to *Next Media's* Hong Kong operations.

For the year ended 31 March 2005, the Group's Books and Magazines Publication Division generated a segment profit of approximately HK\$112.8 million before a non-recurring impairment loss recognised in respect of an intangible asset amounting to approximately HK\$136.9 million. This figure represented an increase of approximately 8.6% when compared against the segment profit of approximately HK\$103.9 million recorded during the previous financial year. This growth was largely the result of a substantial improvement in *Taiwan Next Magazine's* profitability, which grew from a segment profit of approximately HK\$9.5 million in the previous financial year to approximately HK\$45.4 million during the year just ended.

The Group's Books and Magazines Printing Division also generated a segment profit of approximately HK\$45.2 million during the year under review, representing an increase of approximately 2.3% when measured against the approximately HK\$44.2 million segment profit recorded during the previous financial year. The Group's Internet Division was another contributor to the Group's profitability during the year under review. The approximately HK\$11.2 million segment profit the Internet Division recorded during the year just ended represented a steady increase of approximately 17.9% over the corresponding segment profit of approximately HK\$9.5 million achieved during the previous financial year.

Operating Expenses

The Group's total operating expenses for the year under review stood at approximately HK\$2,769.0 million. This figure represented an increase of approximately 12.9% when measured against the approximately HK\$2,453.0 million figure recorded during the previous financial year. Approximately HK\$1,805.2 million or approximately 65.2% of this sum came from essential production expenditures including paper costs. A sizeable rise in the price of newsprint accounted for a large proportion of the increase. Personnel costs, excluding direct production staff costs, for the year just ended totalled approximately HK\$323.7 million or approximately 11.7% of all Group's operating costs for the year. This figure represented an increase of approximately HK\$4.5 million or approximately 1.4% over the corresponding figures of approximately HK\$319.2 million and approximately 13.0% recorded during the previous financial year. Other factors which contributed to the increase in operating costs during the year just ended included depreciation of fixed assets, which accounted for approximately HK\$142.5 million or approximately 5.1% of all operating expenses. This figure represented an increase of approximately 3.3% over the approximately HK\$137.9 million recorded during the previous financial year.

Taxation

During the year just ended, taxes levied on the Group totalled approximately HK\$58.9 million, a decrease of approximately 20.5% when measured against the approximately HK\$74.1 million equivalent total for the previous financial year. This fall was mainly attributable to a reversal of deferred tax liability relating to impairment loss recognised in respect of an intangible asset worth approximately HK\$136.9 million.

FINANCIAL POSITION

Current Assets and Current Liabilities

As at 31 March 2005, the Group held approximately HK\$1,305.8 million in current assets, an increase of approximately 32.8% over the approximately HK\$983.1 million for the previous financial year. The Group's current liabilities as at 31 March 2005 stood at approximately HK\$442.1 million. This figure represented a reduction of approximately 8.6% when compared to the corresponding figure of approximately HK\$483.5 million for the previous financial year. The primary causes for the fall in the Group's liabilities level during the year just ended included a reduction of taxation payable and a decrease in the current portion of long-term liabilities. At the end of the year under review, the Group had cash on hand amounting to approximately HK\$598.8 million. The current ratio as at 31 March 2005 was approximately 295.4%. This figure represented an increase of approximately 45.3% when measured against the ratio of approximately 203.3% achieved as at 31 March 2004.

Accounts Receivable

As at 31 March 2005, the Group's accounts receivable reached approximately HK\$447.5 million, an increase of approximately 9.2% over the approximately HK\$409.8 million equivalent figure recorded as at 31 March 2004. The average turnover days for the Group's accounts receivables as at 31 March 2005 was 53.4 compared against 52.7 for the previous financial year.

Accounts Payable

As at 31 March 2005, the Group's accounts payable stood at approximately HK\$114.9 million, an increase of approximately 18.0% over the approximately HK\$97.4 million recorded during the previous financial year. The average accounts payable turnover days also decreased from 40.9 as at 31 March 2004 to 36.4 as at 31 March 2005.

Long-term and Short-term Liabilities

As at 31 March 2005, the Group's long-term liabilities, including current portions, totalled approximately HK\$217.2 million. This figure represented a decrease of approximately 26.7% over the approximately HK\$296.4 million recorded as at 31 March 2004. As at 31 March 2005, the current portion of the Group's long-term liabilities reached approximately HK\$53.8 million, a decrease of approximately 11.2% when measured against the approximately HK\$60.6 million recorded during the previous financial year.

The Group's banking facilities include a HK\$300 million syndicated loan facility from a consortium of seven banks. The loan was arranged by Sumitomo Mitsui Banking Corporation and offered to *Apple Daily* Limited. The HK\$300 million Transferable Term Loan/Revolving Credit facility has been divided into 2 tranches. The first tranche ("*Tranche A*") is a 5-year HK\$200 million term loan facility, while the second tranche ("*Tranche B*") is a 3-year HK\$100 million revolving credit facility. *Apple Daily* Limited subsequently went on to use proceeds from *Tranche A* to refinance part of its then existing loans. The Group's strong cash flow status means it has not been necessary to utilize the *Tranche B* revolving credit facility. Consequently, *Apple Daily* Limited arranged for *Tranche B's* cancellation in December 2004.

Borrowing and Gearing

Cash flow generated by operating activities and, to a lesser extent, banking facilities provided by the Group's principal bankers continued to be the Group's primary means of financing its operations during the year just ended.

During the year under review, the Group's available banking facilities totalled approximately HK\$623.1 million, of which approximately HK\$218.3 million had been utilized. There is no seasonality for the Group's bank borrowing requirements and all monies borrowed bear interest at floating rates. During the year just ended, Hong Kong dollars and New Taiwanese dollars accounted for the bulk of the Group's bank borrowings. As at 31 March 2005, the Group was in possession of cash on hand worth approximately HK\$598.8 million. The Group's gearing ratio at the end of the year under review was approximately 4.9% measured against a corresponding figure of approximately 6.7% for the previous financial year. The Group's gearing ratios are calculated by dividing long-term liabilities, including current portions, by total asset value.

Share Capital Structure

The year just ended saw the issuance of 4,138,905 ordinary shares with a par value of HK\$1.00 each. The issue was made possible by the exercise of certain share options by option holders at an exercise price of HK\$1.67 per share for 4,057,400 ordinary shares and an exercise price of HK\$1.00 per share for 81,505 shares.

As at 31 March 2005, the Company's total issued share capital was worth approximately HK\$3,092.8 million. This total was made up of 1,482,773,481 ordinary shares with a par value of HK\$1.00 per share, and 920,000,000 preference shares with a per share par value of HK\$1.75.

Cash Flow

For the year ended 31 March 2005, the Group's net cash inflow from operating activities reached approximately HK\$328.1 million. The Group's cash outflow for the previous financial year was approximately HK\$20.6 million.

The outflow of investment-related cash during the year just ended totalled approximately HK\$25.7 million. This figure represented a decrease of approximately 78.7% over the equivalent outflow figure of approximately HK\$120.6 million for the previous financial year.

During the year under review, the Group's net cash outflow for financing activities reached approximately HK\$78.3 million, compared against a corresponding cash inflow figure of approximately HK\$16.6 million during the previous financial year. The current year figure mainly represented the repayment of bank borrowings of approximately HK\$79.2 million. Much of the figure for the previous financial year was accounted for by new bank loans worth approximately HK\$231.3 million and bank loan repayments of approximately HK\$215.3 million.

Exchange Rate Exposure and Capital Expenditure

Group assets and liabilities are primarily denominated in either Hong Kong dollars or New Taiwanese dollars. The Group continues to face exchange rate exposures due to its magazine and newspaper publishing operations in Taiwan. The Group intends to reduce such exchange rate exposures by arranging bank loans in New Taiwanese dollars as and when possible. As at 31 March 2005, the Group's net currency exposure stood at approximately NT\$5,042.6 million (equivalent to approximately HK\$1,244.5 million), an increase of approximately 22.2% over the approximately NT\$4,127.2 million (equivalent to approximately HK\$974.1 million) figure recorded during the previous financial year. To hedge against such exposures in future, the Group has arranged a 4-year term loan worth NT\$1.2 billion with various leading Taiwanese banks with *Taiwan Apple Daily* as the borrower. A NT\$500 million portion of this term loan was subsequently drawn down on 28 April 2005. This move resulted in the Group's net currency exposure falling to NT\$4,542.6 million. Should the remaining NT\$700 million portion of the term loan be fully drawn down, the Group's net currency exposure will further decrease to NT\$3,842.6 million. During the coming financial year, the Group will continue to closely monitor its overall currency exposure, and will take steps to hedge against such exposure if and when such a move is deemed necessary.

The Group's capital expenditure for the year just ended totalled approximately HK\$32.6 million, approximately HK\$10.6 million of which was used to fund its Taiwanese operations. By the end of the year under review, the Group had committed a further capital expenditure worth approximately HK\$5.6 million for its operations, approximately HK\$1.9 million of which was earmarked to fund the Group's operations in Taiwan.

Pledge of Assets

As at 31 March 2005, *Next Media* had pledged certain elements of the Group's Hong Kong and Taiwan property portfolio and printing equipment to various banks as security for bank loans and general banking facilities granted to the Group. The aggregate net book value of these assets was approximately HK\$1,287.8 million.

Contingent Liabilities

During the year just ended, *Next Media* incurred contingent liabilities arising as a result of a number of litigation proceedings in Hong Kong and Taiwan. Such proceedings are an occupational hazard for those involved in the publishing business. The Group was also involved in a dispute with *UDL Constructing Limited* regarding amounts payable for the construction of a printing facility for the Company's subsidiary company, *Apple Daily Printing Limited*. As the dispute is now under arbitration, the final outcome of the proceedings remains uncertain.

When *Next Media* acquired *Database Gateway Limited* in October 2001 (the "*Acquisition*"), Mr. Lai agreed to provide unlimited personal indemnities (the "*Indemnity*") to the Group. This *Indemnity* will help safeguard the Group against all payments, claims, suits, damages and settlement payments and associated costs and expenses arising as a result of certain legal proceedings (including the dispute with *UDL Constructing Limited*) involving the businesses acquired through the *Acquisition*. Mr. Lai has subsequently procured a bank guarantee of HK\$60,000,000 in favour of *Next Media* in respect of his obligations under the *Indemnity*.

Having carefully considered the advice of the Group's legal counsel and the *Indemnity* given by Mr. Lai, *Next Media's* Directors are of the opinion that any ultimate liability arising from these proceedings will have no material impact on the Group's financial position.

Next Media also maintains contingent liabilities which are related to various corporate guarantees the Company has provided to financial institutions for facilities utilized by certain of its subsidiaries. As of 31 March 2005, these contingent liabilities stood at approximately HK\$151.0 million.

Impairment Loss Recognised in respect of an Intangible Asset

It is anticipated that the newly introduced Hong Kong Financial Reporting Standards 2 and 3 together with the Hong Kong Accounting Standards ("*HKAS*") 32, 36, 38 and 39 will impact on the Group's financial statements for the year ending 31 March 2006. In order to ensure compliance with the new accounting standards, particularly, *HKAS* 38 in respect of the valuation of intangible assets, the Board has appointed an independent professional valuer, *Ernst & Young Transaction Advisory Services Limited* ("*E&Y*") to conduct a valuation of the Group's mastheads and publishing rights as at 31 March 2005 based on the value-in-use approach.

Based on the valuation report issued by *E&Y*, the resulting value of the Group's mastheads and publishing rights as at 31 March 2005 was a total of HK\$1,605.0 million against the corresponding net book value of HK\$1,482.8 million. Accordingly, a net revaluation surplus of HK\$122.2 million arose on a group basis, which comprised a revaluation surplus of HK\$259.1 million and a revaluation deficit of HK\$136.9 million calculated on an individual masthead basis.

In regard to the revaluation deficit for that masthead and publishing right, the Directors considered that as the carrying value exceeded the estimated recoverable amount and such impairment was not temporary in nature, an impairment loss of HK\$136.9 million was recognised in the profit and loss account for the year ended 31 March 2005.

For those masthead and publishing rights with revaluation surplus amounting to HK\$259.1 million, no adjustment was made to the Group's accounts as it is the Group's accounting policy to state these intangible assets at cost less accumulated amortisation and accumulated impairment loss.

PROSPECTS AND OUTLOOK

Moving Forward

The Group continues to be the largest Chinese-language print media operator in Hong Kong. Over the years, *Apple Daily*, *Next Magazine*, *Easy Finder*, *Sudden Weekly* and *Eat & Travel Weekly* have all built up solid market shares. Consequently, it seems very probable that all these titles will continue to provide the Group with a steady stream of income in the year ahead. The Board is confident that the advertising revenue of the Group's publications will increase in line with the steady improvement in Hong Kong's economy.

The coming year will see *Next Media* maintain its successful policy of consolidating its dominant position within the Chinese print media market in Hong Kong. The next twelve months will also see the Group carry on its efforts to broaden the impressive foothold its titles have achieved in the Taiwan market. For this reason, the Board believes that *Taiwan Next Magazine* can further consolidate the encouraging progress it has made in terms of both market share and profitability since its 2001 launch.

In common with all media operators, *Next Media's* operations in both Hong Kong and Taiwan are heavily reliant on newsprint. Industry experts believe the price of newsprint will almost certainly increase in the short-term. Any such increase will definitely affect the Group's financial performance in the year ahead.

Ultimately, the Group's Management is very pleased with the progress *Taiwan Apple Daily* has made. For the six months ended 31 December 2004, *Taiwan Apple Daily* achieved an audited average daily circulation of approximately 503,398. Such steady gains within less than two years of *Taiwan Apple Daily's* launch represent a considerable achievement which augurs very well for the future.

Taiwan Apple Daily's solid sales performance on the newsstands has been accompanied by encouraging increases in advertising revenues. As at 31 March 2005, this title had accounted for approximately HK\$661.6 million or approximately 34.5% of the Newspapers Publication and Printing Division's total turnover for the year. The Board remains upbeat that these figures will continue to show steady growth as *Taiwan Apple Daily* consolidates and builds on the achievements it has made in its first two years in the Taiwanese market.

HUMAN RESOURCES

As at 31 March 2005, the Group employed 3,242 employees in Hong Kong, Taiwan and Canada, all of whom made a vital contribution to the Group's success during the year just ended.

Next Media takes real pride in being able to recruit and retain the best and brightest talents available in the publishing business. Regular reviews of staff remuneration packages are just one of several ways that the Group ensures the highest quality of team members. Typical assessments used in the review process include not only the scope of the employee's responsibilities and business performance, but also internal relativities and prevailing market practices and pressures.

All Group team members' efforts are rewarded on the basis of their performances. The year just ended saw the continuation of both the special year-end bonus introduced in 2004 and the profit sharing scheme which rewarded team members who have made exceptional contributions. During the year just ended, the Group also maintained its policy of offering special subsidies for team members who wish to obtain professional or career related qualifications.

Next Media does not believe that its responsibility to employees finishes at the end of the working day. For this reason, we provide not only insurance, medical coverage, and maternity and paternity leave, but also retirement and mandatory provident fund schemes. The Group and certain of its subsidiaries also operate discretionary share option schemes to motivate employees to further enhance value for shareholders. During the year under review, total staff related costs, including retirement benefits stood at approximately HK\$911.1 million, an increase of approximately 0.4% over the approximately HK\$907.1 million for 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.

CORPORATE GOVERNANCE

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*"), which was in force prior to 1 January 2005.

On 1 January 2005, the Code of Best Practice set out in Appendix 14 of the *Listing Rules* was replaced by the "*Code and Corporate Governance Report*" (Appendices 14 and 23 of the *Listing Rules*). The Company's compliance of the new Code will come into effect in the year ending 31 March 2006.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "*Model Code*") as set out in Appendix 10 of the *Listing Rules*. Following specific enquiries by the Company, all Directors have confirmed, that they have achieved full compliance with the required standards as laid down in the *Model Code* for the year ended 31 March 2005.

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 consolidated results of the Group for the year ended 31 March 2005 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 internal control measures and subsequently made appropriate recommendations to the Board.

PUBLICATION OF RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

The 2004/05 annual report of the Company, containing all the information required by paragraphs 45(1) and 45(3) inclusive of Appendix 16 of the *Listing Rules* in force prior to 31 March 2004, which remain applicable to results announcements in respect of accounting periods commencing before 1 July 2004 under the transitional arrangements, will be published on the Stock Exchange's website and the Company's website in due course.

By order of the Board
Ting Ka Yu, Stephen
Director

Hong Kong, 6 June 2005

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 several statements that are "forward-looking", or which use various "forward-looking" terminologies. Such statements are based on the current beliefs, assumptions, expectations and projections of the Directors regarding the industry and markets in which the Group is active. Readers are reminded that such statements are subject to risks, uncertainties and other factors that are beyond the Group's control.