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NEXT MEDIA LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00282)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

The Board of Directors (the "Board" or the "Directors") of Next Media Limited ("Next Media" or the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (together, the "Group") for the six months ended 30 September 2010, as well as the comparative figures for the same period of last year.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2010

	NOTES	**Six months ended 30 September**	
		2010	2009
		HK$'000	*HK$'000*
		(unaudited)	(unaudited)
Revenue		**1,697,780**	1,498,348
Production costs			
Cost of materials consumed		**(554,449)**	(526,833)
Other overheads		**(90,139)**	(61,632)
Staff costs		**(422,023)**	(337,617)
Personnel costs excluding direct production staff costs		**(276,670)**	(214,263)
Other income		**22,757**	16,928
Depreciation of property, plant and equipment		**(73,193)**	(64,783)
Other expenses		**(185,500)**	(151,812)
Finance costs	*4*	**(3,148)**	(7,268)
Share of profit of jointly controlled entities		**891**	—
Profit before tax		**116,306**	151,068
Income tax expense	*5*	**(40,151)**	(28,896)
Profit for the period	*6*	**76,155**	122,172
Other comprehensive income			
Exchange differences arising on translation and other comprehensive income for the period		**19,149**	50,876
Total comprehensive income for the period		**95,304**	173,048
Profit for the period attributable to:			
Owners of the Company		**76,002**	119,569
Non-controlling interests		**153**	2,603
		76,155	122,172
Total comprehensive income attributable to:			
Owners of the Company		**95,134**	170,527
Non-controlling interests		**170**	2,521
		95,304	173,048
Earnings per share	*8*		
Basic		**HK3.2 cents**	HK5.0 cents
Diluted		**HK3.1 cents**	HK5.0 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2010

	NOTES	30 September 2010 HK$'000 (unaudited)	31 March 2010 HK$'000 (audited)
NON-CURRENT ASSETS			
Intangible assets		**1,300,881**	1,300,881
Property, plant and equipment		**1,810,661**	1,797,812
Prepaid lease payments		**64,250**	65,149
Deposit for acquisition of property, plant and equipment		**156,649**	1,545
Interests in jointly controlled entities		**5,116**	—
Investment in an unlisted note		**6,216**	—
Derivative financial instruments		**1,584**	—
		3,345,357	3,165,387
CURRENT ASSETS			
Inventories		**195,402**	133,916
Trade and other receivables	9	**592,866**	543,449
Prepaid lease payments		**1,797**	1,797
Tax recoverable		**1,681**	999
Restricted bank balances		**5,411**	5,411
Bank balances and cash		**653,050**	794,527
		1,450,207	1,480,099
CURRENT LIABILITIES			
Trade and other payables	10	**548,209**	466,053
Borrowings		**118,842**	116,869
Obligations under finance leases		**21**	30
Current tax liabilities		**59,348**	28,910
		726,420	611,862
NET CURRENT ASSETS		**723,787**	868,237
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,069,144**	4,033,624
NON-CURRENT LIABILITIES			
Borrowings		**146,070**	202,079
Retirement benefits obligations		**24,323**	22,705
Deferred tax liabilities		**287,260**	291,029
		457,653	515,813
NET ASSETS		**3,611,491**	3,517,811
CAPITAL AND RESERVES			
Share capital		**2,412,497**	2,412,497
Reserves		**1,195,483**	1,101,976
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**3,607,980**	3,514,473
NON-CONTROLLING INTERESTS		**3,511**	3,338
TOTAL EQUITY		**3,611,491**	3,517,811

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 March 2010.

In addition, during the current period, the Group has applied the following accounting policies for transactions that occurred only since 1 April 2010.

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the cost contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new or revised HKFRSs") issued by the HKICPA.

The Group applies HKFRS 3 (Revised 2008) "Business Combinations" prospectively to business combinations for which the acquisition date is on or after 1 April 2010. As there was no transaction during the current interim period in which HKFRS 3 (Revised 2008) is applicable, the application of HKFRS 3 (Revised 2008) and the consquential amendments to other HKFRSs had no impact on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised 2008) and the consequential amendments to other HKFRSs are applicable.

The Group also applies prospectively the requirements in HKAS 27 (Revised 2008) "Consolidation and Separate Financial Statements" in relation to accounting treatment for recognition of deficit balance on non-controlling interests on or after 1 April 2010 and applies retrospectively the accounting for loss of control of a subsidiary.

Regarding the accounting treatment for recognition of deficit balance on non-controlling interests, prior to 1 April 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Starting from 1 April 2010, total comprehensive income and expense of a subsidiary is attributed to the shareholders of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. The application had no material impact on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Regarding the accounting for changes in ownership interests in a subsidiary after control is obtained, as the Group's existing accounting policies regarding increases or decreases in ownership interests in subsidiaries of the Group are in the same manner as the application of HKAS 27 (Revised 2008), the application of HKAS 27 (Revised 2008) in this regard and the consequential amendments to other HKFRSs had no impact on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Except as described above, the application of the other new or revised HKFRSs had no impact on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied new and revised standards, amendments or interpretations that have been issued but are not yet effective.

3. SEGMENT INFORMATION

The Group's reportable segments under HKFRS 8 are as follows:

Operating segments	**Principal activities**
Newspapers publication and printing	Sales of newspapers and provision of relevant printing and advertising services in Hong Kong and Taiwan
Books and magazines publication and printing	Sales of books and magazines and provision of relevant printing and advertising services in Hong Kong, Taiwan, North America, Europe and Australasia
Television	Television broadcasting, programme production and other related activities in Taiwan
Internet businesses	Advertising revenue sourced by internet division, internet subscription and content provision in Hong Kong and Taiwan

All transactions between different operating segments are charged at market rates.

The following is an analysis of the Group's revenue and results by operating segment for the period under review:

Six months ended 30 September 2010 (unaudited)

	Newspapers publication and printing *HK$'000*	**Books and magazines publication and printing** *HK$'000*	**Television** *HK$'000*	**Internet businesses** *HK$'000*	**Eliminations** *HK$'000*	**Consolidated** *HK$'000*
REVENUE						
External sales	**1,197,205**	**493,884**	**—**	**6,691**	**—**	**1,697,780**
Inter-segment sales	**1,579**	**9,801**	**—**	**—**	**(11,380)**	**—**
Total	**1,198,784**	**503,685**	**—**	**6,691**	**(11,380)**	**1,697,780**
RESULTS						
Segment results	**221,021**	**81,576**	**(141,648)**	**(30,998)**	**—**	**129,951**
Unallocated expenses						**(16,898)**
Unallocated income						**5,510**
Share of profit of jointly controlled entities						**891**
Finance costs						**(3,148)**
Profit before tax						**116,306**

Six months ended 30 September 2009 (unaudited)

	Newspapers publication and printing *HK$'000*	Books and magazines publication and printing *HK$'000*	Television *HK$'000*	Internet businesses *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
REVENUE						
External sales	1,038,750	435,165	—	24,433	—	1,498,348
Inter-segment sales	1,369	13,416	—	(441)	(14,344)	—
Total	1,040,119	448,581	—	23,992	(14,344)	1,498,348
RESULTS						
Segment results	147,369	64,286	(15,399)	(29,267)	—	166,989
Unallocated expenses						(13,732)
Unallocated income						5,079
Finance costs						(7,268)
Profit before tax						151,068

Segment profit represents the profit earned by each segment without allocation of those resulted from interest income, paper reel handing income, finance costs, share of profit of jointly controlled entities, certain corporate and administrative expenses and taxation. This is the measure reported to management for the purposes of resource allocation and performance assessment.

4. FINANCE COSTS

	Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
Interest expenses on bank borrowings wholly repayable within five years	**3,148**	7,259
Interest expenses on finance leases	**—**	9
	3,148	7,268

5. INCOME TAX EXPENSE

	Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
The charge comprises:		
Current tax:		
Hong Kong	**38,964**	30,303
Other jurisdiction	**4,984**	2,906
Overprovision in prior years	**(28)**	(1,097)
Deferred tax:		
Credit for the period	**(3,769)**	(3,216)
	40,151	28,896

Hong Kong Profits Tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated weighted average annual tax rate used is 16.5% (2009: 16.5%) for the six months ended 30 September 2010.

Taxation arising in other jurisdiction is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated weighted average annual tax rate used is 17% (2009: 25%) which is the rate prevailing in the relevant jurisdiction. On 28 May 2010, Taiwan Legislative Yuan has gone through the entire three-reading procedure to enact a change in the statutory corporate income tax rate from the previously reduced 20% to 17% effective in current financial year.

6. PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
Profit for the period has been arrived at after charging the following items:		
Allowance for doubtful debts (included in other expenses)	**13,144**	11,019
Operating lease expenses on:		
Properties	**5,226**	3,639
Plant and equipment	**8,284**	6,375
Amortisation of prepaid lease payments (included in other expenses)	**899**	899
Loss on disposal of property, plant and equipment	**710**	1,377
Provision for legal and professional fees (included in other expenses)	**31,888**	27,127

7. DIVIDENDS

The Directors have resolved not to declare an interim dividend for the six months ended 30 September 2010 (Six months ended 30 September 2009: HK$Nil).

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
Earnings:		
Earnings for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	**76,002**	119,569
	No. of shares	No. of shares
Number of shares:		
Number of ordinary shares for the purpose of basic earnings per share	**2,412,496,881**	2,412,496,881
Effect of dilutive potential ordinary shares:		
Share options and share subscription plan	**2,846,330**	—
Number of ordinary shares for the purpose of diluted earnings per share	**2,415,343,211**	2,412,496,881

During the six months ended 30 September 2009, the computation of diluted earnings per share did not assume the exercise of certain share options outstanding during the period since their adjusted exercise price was higher than the average market price of the Company's shares.

9. TRADE AND OTHER RECEIVABLES

	30 September 2010	31 March 2010
	HK$'000	*HK$'000*
Trade receivables, net	**486,743**	433,700
Prepayments	**59,618**	51,369
Rental and other deposits	**15,645**	14,224
Others	**30,860**	44,156
	592,866	543,449

The Group allows credit terms of 7 to 120 days to its trade customers.

The following is an aged analysis of the trade receivables after deducting the allowance for doubtful debt presented based on invoice date at the end of the reporting period:

	30 September 2010	31 March 2010
	HK$'000	*HK$'000*
0–1 month	**243,470**	224,810
1–3 months	**239,646**	204,447
Over 3 months	**3,627**	4,443
	486,743	433,700

10. TRADE AND OTHER PAYABLES

	30 September 2010 *HK$'000*	31 March 2010 *HK$'000*
Trade payables	**126,544**	122,441
Other payables	**421,665**	343,612
	548,209	466,053

The following is an aged analysis of the trade payables at the end of the reporting period:

	30 September 2010 *HK$'000*	31 March 2010 *HK$'000*
0–1 month	**86,659**	88,831
1–3 months	**29,005**	24,632
Over 3 months	**10,880**	8,978
	126,544	122,441

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESSES

The Group is mainly engaged in the publication of newspapers, books and magazines for retail and subscription sales; the provision of printing and reprographic services; the provision of internet content; the production and broadcasting of television programmes; the sale of advertising space in newspapers and magazines and on websites; and the sale of advertising time in its television operation.

FINANCIAL RESULTS

The Group's revenue totalled HK$1,697.8 million during the six months ended 30 September 2010. This was HK$199.5 million or 13.3% higher than the figure of HK$1,498.3 million recorded in the same period of 2009. The increase was mainly attributable to the additional income it derived from advertising in its newspapers and magazines as a result of the recovery of the advertising markets in both Hong Kong and Taiwan.

The Group's earnings totalled HK$193.4 million during the period under review, before interest, tax, depreciation, impairment and amortisation but after non-controlling interests. This represented a decline of 12.6% on the figure of HK$221.4 million for the corresponding period of 2009. Basic earnings per share were HK3.2 cents, compared with HK5.0 cents in the same period last year.

The Group also recorded an unaudited consolidated profit of HK$76.2 million, which was 37.6% lower than the figure of HK$122.2 million for the same period in 2009.

The decline in overall profit was principally due to the investment that the Group made in its television operation in Taiwan, which progressed from a pre-operational preparatory phase in the same period of 2009 to a soft launch phase during the second quarter of this year. The Television Division recorded a segment loss of HK$141.6 million, compared with a loss of HK$15.4 million in the same period of 2009. On the other hand, the Group's total profit from its publishing operations increased considerably, and it was above the industry average during this period.

Given the investment it made in its television business, the Group's overall results for the first half of the financial year were satisfactory.

OVERVIEW OF MAJOR MARKETS

The outstanding half-year results of the Group's publishing and printing businesses reflect the improvement of economic conditions in Hong Kong and Taiwan during the period.

Hong Kong's economy continued to grow steadily. In year-on-year terms, its real GDP increased by 8.0% in the first quarter of 2010, and 6.5% in the second quarter. Exports maintained a strong momentum, and the inbound tourism industry and retail sector both benefited from a surge in the number of visitors from Mainland China. Favourable economic trends and rising incomes led to an increase in the spending of local consumers. The property market remained buoyant, the employment situation was fairly stable, and the stock market rose considerably.

After years of stagnation, Taiwan's economy picked up even more dramatically. It is forecast to grow by 6.1% during 2010, compared to a decline of 1.9% in 2009. This was mainly attributable to the island's robust exports, and increasing private investment and consumption. Government officials say a major driving force behind the strong export performance has been a substantial increase in trade with Mainland China, with whom Taiwan has had a steadily improving relationship since its present administration took office. Cross-straits tourism is flourishing too.

Consumers in both Hong Kong and Taiwan have grown increasingly confident about spending their money as the economic outlook brightens for them and the possibility of a new recession in the US and Europe recedes.

This has encouraged companies in both markets to ramp up their advertising budgets. Consequently, the advertising revenues of all the Group's publications increased by between 10.0% and 20.0% in year-on-year terms, which was above the industry average. On the other hand, the Group has had to contend with an incremental rise in paper prices during the first three quarters of 2010. Paper is always one of its most significant costs.

OPERATIONAL REVIEW

The Group's operations in Hong Kong accounted for about 57.0% of its revenue during the six months ended 30 September 2010, compared with 58.1% in the same months of 2009. Its Taiwan operations contributed 41.4% (2009: 40.2%).

The brighter economic climate in these two markets gave impetus to the Group's results during the period under review.

Even so, the Group adopted a cautious approach towards its costs. For example, it continued to monitor the ratios of advertising and editorial pages in its publications carefully, and to rationalise their layouts, so that a similar amount of content could be presented in fewer pages. A close watch was also kept over print runs, in order to minimise wastage.

NEWSPAPERS PUBLICATION AND PRINTING DIVISION

The Newspapers Publication and Printing Division achieved excellent results during the six months ended 30 September 2010. *Apple Daily* and *Taiwan Apple Daily* made the largest contributions to the Division's external revenue, which totalled HK$1,197.2 million and amounted to 70.5% of the Group's total revenue. This represented an increase of 15.2% on the figure of HK$1,038.8 million for the corresponding period last year. The Division's segment profit increased by 49.9% to HK$221.0 million, compared with HK$147.4 million in the same period of 2009.

Apple Daily further consolidated its position as Hong Kong's best-selling and most widely read paid-for daily newspaper during the past half-year. Its advertising revenue totalled HK$345.8 million during the period under review, a rise of 26.3% on the figure of HK$273.7 million recorded in the same period of 2009. The banking sector accounted for the largest share of its advertising revenue, whereas telecommunications and finance ranked second and third, respectively.

Taiwan Apple Daily remained the island's most widely read daily and its total revenue grew by 17.0% to HK$592.2 million in the same period, compared with HK$506.0 million during the corresponding months of 2009. Property, cosmetics, and department and chain stores contributed the largest shares of its advertising revenue.

Sharp, the Group's free newspaper in Taipei, maintained its popularity among readers and advertisers alike. Copies of the newspaper are distributed to commuters outside the city's Metro stations every morning from Mondays to Saturdays, and it continued to attract smaller local advertisers, who find traditional print media too expensive.

Apple Daily Printing Limited

The newspaper printing business performed satisfactorily and continued to contribute a stable income to the Group. The revenue of its Hong Kong printing operations amounted to HK$195.8 million, a rise of 5.3% on the figure of HK$186.0 million recorded in the same period of the previous year.

Excluding transactions related to printing Next Media's own publications, the revenue of Apple Daily Printing Limited amounted to HK$64.6 million during the period under review, which was 12.3% higher than the HK$57.5 million it achieved in the corresponding period in 2009. This was mainly attributable to an increase in printing orders that resulted from improved market conditions, both in Hong Kong and overseas.

BOOKS AND MAGAZINES PUBLICATION AND PRINTING DIVISION

The Books and Magazines Publication and Printing Division performed well in the fiercely competitive business environment during the six months ended 30 September 2010. Its external revenue totalled HK$493.9 million, an increase of 13.5% on the figure of HK$435.2 million achieved in the same period of last year.

The Group maintained its strong position in the Hong Kong magazine market, where it published the two best-selling and most widely read weeklies.

Its flagship title, *Next Magazine*, generated HK$130.3 million in revenue during the six months ended 30 September 2010, a rise of 11.2% compared with the figure of HK$117.2 million for the corresponding period last year. During the period under review, *NEXT+ONe* — a new supplement focusing on high-end fashion and luxury products and fun lifestyles in the city was launched and bundled with *Next Magazine* to attract advertising for upmarket and premium brand products.

Sudden Weekly Bundle remained Hong Kong's best-selling and most widely read weekly publication. The total revenue of the *Sudden Weekly Bundle* — consisting of *Sudden Weekly*, *Eat & Travel Weekly* and *ME!* — jumped by 12.2% to HK$150.8 million during the six months up to 30 September 2010, compared with HK$134.4 million in the same period of 2009. While this partly reflected a general resurgence in advertising spending, the high-spending female readership profile of *ME!* proved particularly appealing to advertisers — especially perfume, cosmetics, skincare, toiletries, fashion and fashion accessory brands — and its advertising revenue grew strongly as a result.

FACE Bundle — which incorporates *FACE*, *Auto Express* and *Trading Express* — remained a popular, upmarket infotainment weekly among Hong Kong youngsters. Despite extreme competition for advertising dollars between titles in this category, the publication achieved a total revenue of HK$47.5 million in the six months up to 30 September 2010, compared with HK$43.0 million during the same period last year, an increase of 10.5%.

Taiwan Next Magazine continued to be the island's best-selling and most widely read weekly. Benefiting from the island's broad-based economic recovery, the magazine's external revenues totalled HK$111.6 million in the six months ended 30 September 2010, compared with HK$93.2 million in the same period last year, an increase of 19.7%.

Besides printing the Group's own magazines, the Division continued to produce high-quality printing work for its external customers. Against a backdrop of intense competition and rising paper costs, this generated revenue of HK$52.0 million during the six months ended 30 September 2010, which was 14.0% higher than the HK$45.6 million it earned in the same period last year.

As a result, the Division's segment profit of HK$81.6 million was 26.9% higher than the figure of HK$64.3 million recorded in the corresponding period of 2009.

TELEVISION DIVISION

The process of applying for television broadcasting licences in Taiwan is still in progress. Two such licences — for a sports channel and a movie channel — have already been approved, whereas the Group is continuing to pursue applications for other licences.

One reason for the Group's decision to enter the Taiwan television market is that the island's television industry has been stagnant for nearly two decades, due to the poor quality, look-alike content and backward technology of existing channels. For example, Taiwan has about half a dozen similar all-news channels; the overwhelming majority of Taiwan's television programmes are still produced and broadcast in analogue format; and around 80.0% of Taiwan's television-viewing households are served by an analogue only cable platform.

The Group has therefore been working hard to create original and attractive high-definition (HD) contents and an alternative distribution strategy to cable television, Taiwan's dominant delivery platform. The Group continues to work on obtaining television broadcasting licences but at the same time has already accessed television viewers via alternative options which does not require a television broadcast licence. The Group has already launched limited television programming on a webTV format. It has also signed up distribution partnerships for selected programmes on both cable television and MOD (digital) platforms in Taiwan, and it is continuing to explore additional platforms. For more than a year, the Group has been developing necessary hard and soft ware for a new IPTV platform which does not require a television broadcast licence. The Group is now poised to launch its own open internet-based, digital and interactive IPTV platform by the end of this year. This will be an exciting development. Not only will it allow the Group's television stations to reach a mass audience; it is also expected to, over time, transform the landscape of Taiwan's television industry dramatically.

During the period under review, the Division incurred capital expenditures amounting to HK$39.9 million, and it recorded an operating segment loss of HK$141.6 million, compared with a loss of HK$15.4 million in the corresponding period last year, when it was in a pre-operating phase. The Group expects to make further investments in the areas of staff recruitment, content production, equipment purchases, office premises and system software in the coming months.

INTERNET DIVISION

The Internet Division continued to play a valuable role in the Group, especially as a channel to strengthen its brand image among younger people. Its portal continued to account for most of the Division's advertising revenue, whereas its webcasting services also contributed to its revenue.

The animation production operation is continuing to building up its business, both locally and overseas. The Division recently opened an office in New York to offer its animation services to North American media companies. It has begun to attract revenues from renowned animation clients and a number of television production houses. The animation production operation has also begun to develop revenue streams from its widely acclaimed animation news segments via syndication and its website, which, by end of the period under review, was attracting an average of 10.0 million views per month.

The Division's external revenue totalled HK$6.7 million during the period under review, which was a decrease of 72.5% on the figure of HK$24.4 million recorded in the same months of 2009. This was mainly due to the reallocation of advertising revenue within different operating segments of the Group. Its ongoing capital investments in the animation and webcast operations meant the Division sustained a segment loss of HK$31.0 million, compared with a loss of HK$29.3 million in the corresponding period last year.

FUTURE PROSPECTS AND OUTLOOK

The Hong Kong and Taiwan economies remained resilient in recent months. In particular, Taiwan's business environment has brightened considerably after being in the doldrums for a number of years.

The Group believes it will continue to achieve good results by leveraging on the attractive demographics of the readers of its publications in order to attract a good share of the growing amount of advertising spending in both places.

At the same time, it must be remembered that the prosperity of Hong Kong and Taiwan both depend on an ever-greater degree on Mainland China's economy, which is increasingly tied to the economies of other regions, such as the US and Europe. While the Group feels Mainland China's economic growth will remain strong in the coming months, the health of the US and European economies and unresolved issues concerning the Renminbi exchange rate could have an adverse impact further ahead. So it is tempering its optimism with a certain degree of caution.

It should be noted that the Group will need to make further investments during the initial stage to full-blown launch of its television project and the establishment and building-up of its open internet-based IPTV platform during the months ahead. However, it is confident that the television project will be a success, and that the new open internet-based platform will afford it additional business opportunities in the future.

LIQUIDITY AND FINANCIAL RESOURCES

The Group finances its operation principally with cash flow generated by its operating activities and, to a lesser extent, bank facilities provided by its principal bankers.

As of 30 September 2010, the Group had available banking facilities in a total of HK$1,188.2 million, of which HK$270.4 million had been utilised. All its bank borrowings bear interest at floating rates, and there is no seasonality for its borrowing requirements. The Group's bank borrowings are denominated in HK$ and NT$.

During the period under review, the Group accepted a term loan facility for an aggregate amount of HK$650.0 million offered by a syndicate of eight banks for general working capital purposes. The final maturity date of this facility will be 36 months from the date when it is first used. Pursuant to the terms and conditions of the facility, the borrower, Apple Daily Limited, the Company, and certain subsidiaries who are acting as its guarantors, must ensure that Mr. Lai Chee Ying, Jimmy, the Company's controlling shareholder, will remain the Company's Chairman and that he will continue to hold directly or indirectly at least 51.0% of the total issued share capital of the Company. Non-compliance with the above condition may constitute a breach of general undertakings, and the banks in the syndicate may declare that any commitments under the facility are cancelled and/or declare that all outstanding amounts (together with interest thereon) are immediately due and payable. As of 28 October 2010, the Group had drawn down an amount of HK$100.0 million from the facility.

As of 30 September 2010, the Group had HK$658.5 million in bank balances and cash reserves. Its current ratio on the same date was 199.6%, compared to 241.9% as of 31 March 2010. The Group's gearing ratio on the same date, which was calculated by dividing its long-term liabilities, including current portions by total asset value, was amounted to 5.5%, compared to 6.9% as of 31 March 2010.

ASSETS PLEDGED

As of 30 September 2010, the Group had pledged its properties and printing equipment situated in Hong Kong and Taiwan with an aggregate carrying value of HK$1,113.1 million to various banks as security for bank loan facilities granted to it.

EXCHANGE EXPOSURE AND CAPITAL EXPENDITURE

The Group's assets and liabilities are mainly denominated in HK$ or NT$. Its exchange exposure to NT$ is due to its existing magazine and newspaper publishing, internet businesses and television operation in Taiwan.

As of 30 September 2010, the Group's net currency exposure stood at NT$5,610.2 million (equivalent to about HK$1,392.8 million), a decrease of 4.5% on the figure of NT$5,874.4 million (equivalent to about HK$1,434.2 million) as of 31 March 2010.

SHARE CAPITAL

As of 30 September 2010, the Company's total issued share capital was HK$2,412,496,881 divided into 2,412,496,881 ordinary shares with a par value of HK$1.0 each.

CONTINGENT LIABILITIES

As at 30 September 2010, the Group had contingent liabilities in respect of a number of legal proceedings in Hong Kong and Taiwan arising in the normal course of its publishing business.

In addition, the Group had a dispute with UDL Contracting Limited ("UDL") as contractor for the construction of a printing facility of a subsidiary of the Company, Apple Daily Printing Limited, over amounts payable in respect of the construction of the facility. As the aforesaid dispute is now under arbitration, the final outcome remains uncertain.

Other than the legal and professional expenses which have been accrued in other payables, amounting to HK$67.3 million (At 31 March 2010: HK$51.2 million), no provision has been recognised in respect of the above mentioned outstanding legal proceedings as based on advice obtained from legal counsel, the Directors are of the opinion that the claims can be successfully defended by the Group.

In connection with the acquisition of Database Gateway Limited and its subsidiaries (the "Acquired Group") on 26 October 2001, Mr. Lai Chee Ying, Jimmy, Chairman and a controlling shareholder of the Company, has undertaken to provide unlimited personal indemnities to the Acquired Group against all payments, claims, suits, damages and settlement payments and any associated costs and expenses arising, made or incurred after 26 October 2001 arising out of or connected with (1) any third party claims made against the Acquired Group on and before 26 October 2001, (2) defamation claims, claims for infringement of intellectual property rights and other proceedings and claims which may in the future arise from the content of the newspaper and magazines published by the Acquired Group on and at any time before 26 October 2001, and (3) the contractual dispute with UDL (the "Indemnity"). In relation to the Indemnity, Mr. Lai Chee Ying, Jimmy procured a bank guarantee of HK$60.0 million for a term of three years from 25 October 2007 in favour of the Company and the Acquired Group in respect of his obligations under the Indemnity. On 25 October 2010, the bank guarantee has been further extended for a term of three years to 25 October 2013.

EMPLOYEES AND REMUNERATION POLICY

As of 30 September 2010, the Group employed a total of 4,659 employees, of whom 2,040 were in Hong Kong, 2,614 were in Taiwan and 5 were in Canada. There were no material changes to the policies regarding employee remuneration, bonuses, share incentive schemes and staff development disclosed in the 2009/10 annual report of the Company.

The Group's total staff costs for the six months ended 30 September 2010 amounted to HK$698.7 million, compared to HK$551.9 million for the corresponding period of last year. The increase in the total staff costs of the Group was mainly due to the increase of headcounts of the Television Division during the period.

INTERIM DIVIDEND

The Directors have resolved not to declare an interim dividend for the six months ended 30 September 2010 (Six months ended 30 September 2009: HK$Nil).

AUDIT COMMITTEE

The Audit Committee consisted solely of the Company's three Independent Non-executive Directors, and it was chaired by Dr. Lee Ka Yam, Danny. Full details of the Audit Committee, including its role and terms of reference, can be found on the Company's website. All the members of the Audit Committee attended its two meetings during the six months ended 30 September 2010, together with the external auditor and in the absence of the Executive Directors.

The Audit Committee also reviewed, with the management, the Group's accounting principles and practices, internal controls and risk management systems, and financial reporting matters, including the review of the interim financial statements of the Company for the six months ended 30 September 2010 (the "Interim Financial Statements").

Deloitte Touche Tohmatsu has reviewed the Interim Financial Statements in accordance with the Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", and the HKAS 34 "Interim Financial Reporting", both of which were issued by the HKICPA.

CORPORATE GOVERNANCE

During the six months ended 30 September 2010, the Company fully complied with the applicable provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to The Rules Governing the Listing of Securities on The Stock Exchange of of Hong Kong Limited (the "Listing Rules") (the "Code"), except for the Code provision E.1.2. Due to another business engagement, Mr. Lai Chee Ying, Jimmy, the Chairman of the Board, did not attend the Company's annual general meeting held on 19 July 2010 (the "2010 AGM"). Instead, Mr. Chu Wah Hui, an Executive Director and the Chief Executive Officer, chaired the 2010 AGM in accordance with the provisions of Next Media's Articles of Association.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). Following specific enquiries by the Company, all Directors have confirmed that they fully complied with the required standard of the Model Code throughout the period under review.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of listed securities of the Company by the Company or any of its subsidiaries during the six months ended 30 September 2010.

PUBLICATION OF THE INTERIM REPORT ON THE WEBSITES OF HONG KONG EXCHANGES AND CLEARING LIMITED AND THE COMPANY

The interim report for the six months ended 30 September 2010 containing all information required by Appendix 16 to the Listing Rules will be despatched to the shareholders and published on the websites of Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk and of the Company at www.nextmedia.com respectively in due course.

By order of the Board
Lai Chee Ying, Jimmy
Chairman

Hong Kong, 22 November 2010

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.

As at the date of this announcement, the Executive Directors of the Company are Mr. Lai Chee Ying, Jimmy, Mr. Chu Wah Hui, Mr. Cheung Ka Sing, Cassian, Mr. Ting Ka Yu, Stephen and Mr. Ip Yut Kin and the Independent Non-executive Directors of the Company are Mr. Fok Kwong Hang, Terry, Mr. Wong Chi Hong, Frank and Dr. Lee Ka Yam, Danny.