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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 2009

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 2009, 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 2009*

| | NOTES | Six months ended 30 September 2009 HK$'000 (unaudited) | 2008 HK$'000 (unaudited) |
|---|---|---|---|
| Revenue | | **1,498,348** | 1,795,156 |
| Production costs | | | |
| Cost of materials consumed | | **(526,833)** | (700,522) |
| Other overheads | | **(61,632)** | (89,411) |
| Staff costs | | **(337,617)** | (362,415) |
| Personnel costs excluding direct production staff costs | | **(214,263)** | (224,298) |
| Other income | | **16,928** | 40,756 |
| Depreciation of property, plant and equipment | | **(64,783)** | (67,866) |
| Other expenses | | **(151,812)** | (147,283) |
| Finance costs | 4 | **(7,268)** | (6,121) |
| Profit before tax | | **151,068** | 237,996 |
| Income tax expense | 5 | **(28,896)** | (29,664) |
| Profit for the period | 6 | **122,172** | 208,332 |
| **Other comprehensive income (expense)** | | | |
| Exchange differences arising on translation and other comprehensive income (expense) for the period | | **50,876** | (71,419) |
| Total comprehensive income for the period | | **173,048** | 136,913 |
| Profit for the period attributable to: | | | |
| Owners of the Company | | **119,569** | 208,332 |
| Minority interests | | **2,603** | – |
| | | **122,172** | 208,332 |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | **170,527** | 136,913 |
| Minority interests | | **2,521** | – |
| | | **173,048** | 136,913 |
| Earnings per share | 8 | | |
| Basic | | **HK 5.0 cents** | HK 8.6 cents |
| Diluted | | **HK 5.0 cents** | HK 8.6 cents |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*AT 30 SEPTEMBER 2009*

| | NOTES | **30 September 2009 HK$'000 (unaudited)** | 31 March 2009 HK$'000 (audited) |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Intangible assets | | **1,300,881** | 1,300,881 |
| Property, plant and equipment | | **1,502,405** | 1,404,015 |
| Prepaid lease payments | | **66,048** | 66,947 |
| Deposit for acquisition of property, plant and equipment | | **71,833** | 3,554 |
| | | **2,941,167** | 2,775,397 |
| **CURRENT ASSETS** | | | |
| Inventories | | **123,593** | 188,872 |
| Trade and other receivables | 9 | **514,249** | 456,319 |
| Prepaid lease payments | | **1,797** | 1,797 |
| Derivative financial instruments | | **–** | 27 |
| Tax recoverable | | **8,402** | 10,102 |
| Restricted bank balances | | **5,411** | 5,411 |
| Bank balances and cash | | **908,703** | 895,372 |
| | | **1,562,155** | 1,557,900 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 10 | **422,083** | 385,118 |
| Borrowings | | **148,654** | 142,724 |
| Obligations under finance leases | | **32** | 242 |
| Current tax liabilities | | **16,120** | 8,922 |
| | | **586,889** | 537,006 |
| **NET CURRENT ASSETS** | | **975,266** | 1,020,894 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **3,916,433** | 3,796,291 |
| **NON-CURRENT LIABILITIES** | | | |
| Borrowings | | **305,008** | 364,822 |
| Obligations under finance leases | | **10** | – |
| Retirement benefits obligations | | **21,446** | 19,441 |
| Deferred tax liabilities | | **291,393** | 294,610 |
| | | **617,857** | 678,873 |
| **NET ASSETS** | | **3,298,576** | 3,117,418 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | | **2,412,497** | 2,412,497 |
| Reserves | | **883,515** | 704,878 |
| **EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY** | | **3,296,012** | 3,117,375 |
| **MINORITY INTERESTS** | | **2,564** | 43 |
| **TOTAL EQUITY** | | **3,298,576** | 3,117,418 |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009*

## 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 convention 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 2009.

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. Except as described below the adoption of the new or revised HKFRSs which had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

**HKAS 1 (revised 2007) "Presentation of Financial Statements"**
(effective for annual periods beginning on or after 1 January 2009)

HKAS 1 (revised 2007) has introduced a number of terminology changes (including revised titles for the condensed consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. However, HKAS 1 (revised 2007) has had no impact on the reported results or financial position of the Group.

The Group has not early applied any new and revised standards, amendments or interpretations that have been issued but are not yet effective. The adoption of HKFRS 3 (Revised in 2008) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1 April 2010. HKAS 27 (Revised in 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company (the "Directors") anticipate that the application of these new and revised standards, amendments or interpretations will have no material impact on the condensed consolidated financial statements of the Group.

## 3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1 April 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the chief operating officer of the Group) in order to allocate resources to segments and to assess their performance. In contrast, the predecessor standard (HKAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14, nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss. In the current period, a new reportable segment, television, is presented under HKFRS 8 which represents the business engaged in television broadcasting, programme production and other related activities which the Group established in the current period.

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

| **Business segments** | **Regions of operations** |
|---|---|
| Newspapers publication and printing | Hong Kong and Taiwan |
| Books and magazines publication and printing | Hong Kong, Taiwan, North America, Europe and Australasia |
| Internet advertising income, internet subscription and content provision ("Internet businesses") | Hong Kong and Taiwan |
| Television | Taiwan |

All transactions between different business 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 2009**

| | Newspapers publication and printing HK$'000 | Books and magazines publication and printing HK$'000 | Internet businesses HK$'000 | Television HK$'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 | (29,267) | (15,399) | – | 166,989 |
| Unallocated expenses | | | | | | (13,732) |
| Unallocated income | | | | | | 5,079 |
| Finance costs | | | | | | (7,268) |
| Profit before tax | | | | | | 151,068 |
| Income tax expense | | | | | | (28,896) |
| Profit for the period | | | | | | 122,172 |

Six months ended 30 September 2008

| | Newspapers publication and printing HK$'000 | Books and magazines publication and printing HK$'000 | Internet businesses HK$'000 | Television HK$'000 | Eliminations HK$'000 | Consolidated HK$'000 |
|---|---|---|---|---|---|---|
| **REVENUE** | | | | | | |
| External sales | 1,220,756 | 550,930 | 23,470 | – | – | 1,795,156 |
| Inter-segment sales | 1,102 | 18,482 | 1 | – | (19,585) | – |
| Total | 1,221,858 | 569,412 | 23,471 | – | (19,585) | 1,795,156 |
| **RESULTS** | | | | | | |
| Segment results | 179,991 | 107,662 | (28,758) | – | – | 258,895 |
| Unallocated expenses | | | | | | (22,348) |
| Unallocated income | | | | | | 7,570 |
| Finance costs | | | | | | (6,121) |
| Profit before tax | | | | | | 237,996 |
| Income tax expense | | | | | | (29,664) |
| Profit for the period | | | | | | 208,332 |

Segment profit represents the profit earned by each segment without allocation of income resulted from interest income, paper reel handing income and finance costs. This is the measure reported to management for the purposes of resource allocation and performance assessment.

## 4. FINANCE COSTS

| | Six months ended 30 September 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|
| Interest expense on bank borrowings wholly repayable within five years | **7,259** | 6,082 |
| Interest expenses on finance leases | **9** | 39 |
| | **7,268** | 6,121 |

## 5. INCOME TAX EXPENSE

| | Six months ended 30 September 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|
| The charge comprises: | | |
| Current tax: | | |
| Hong Kong | **30,303** | 42,673 |
| Other jurisdictions | **2,906** | 6,368 |
| Overprovision in prior years | **(1,097)** | – |
| Deferred tax: | | |
| Credit for the period | **(3,216)** | (1,189) |
| Attributable to change in tax rate | **–** | (18,188) |
| | **28,896** | 29,664 |

Hong Kong Profits Tax is recognised based on management's best estimate of the annual income tax rate expected for the full financial year. On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profit tax rate by 1% to 16.5% effective from the year of assessment 2008-2009. The effect of such decrease has been reflected in measuring the current and deferred tax for the six months ended 30 September 2008. The estimated average annual tax rate used is 16.5% (2008: 16.5%) for the six months ended 30 September 2009.

Taxation arising in other jurisdictions is recognised based on management's best estimate of the annual income tax rate expected for the full financial year. The estimated average annual tax rate used is 27% (2008: 27%) which is the rates prevailing in the relevant jurisdictions.

## 6. PROFIT FOR THE PERIOD

| | Six months ended 30 September | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Profit for the period has been arrived at after charging (crediting) the following items: | | |
| Allowance for (reversal of) bad and doubtful debt (included in other expenses) | **11,019** | (6,114) |
| Operating lease expenses on: | | |
| Properties | **3,639** | 3,579 |
| Plant and equipment | **6,375** | 6,585 |
| Amortisation of prepaid lease payments (included in other expenses) | **899** | 899 |
| Loss on disposal of property, plant and equipment | **1,377** | 88 |
| Legal and professional fees | **27,127** | 26,390 |

## 7. DIVIDENDS

| | Six months ended 30 September | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Dividends recognised as distribution during the period: | | |
| **Ordinary shares:** | | |
| Final dividend for 2008/09 – Nil (2007/08: HK9.0 cents per share) | **–** | 217,125 |
| Special dividend for 2008/09 – Nil (2007/08: HK10.0 cents per share) | **–** | 241,250 |
| | **–** | 458,375 |

The Directors have resolved not to declare an interim dividend for the six months ended 30 September 2009.

## 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 | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| **Earnings:** | | |
| Earnings for the purposes of basic and diluted earnings per share for the period | **119,569** | 208,332 |

| | **No. of shares** | No. of shares |
|---|---|---|
| **Number of shares:** | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **2,412,496,881** | 2,412,219,460 |
| **Effect of dilutive potential ordinary shares:** | | |
| Share options | **–** | 11,346,797 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | **2,412,496,881** | 2,423,566,257 |

The computation of diluted earnings per share does not assume the exercise of certain share options outstanding during the both periods since their adjusted exercise price was higher than the average market price of the Company's shares.

## 9. TRADE AND OTHER RECEIVABLES

| | **30 September 2009 HK$'000** | 31 March 2009 HK$'000 |
|---|---|---|
| Trade receivables, net | **442,967** | 402,563 |
| Prepayments | **25,083** | 13,981 |
| Rental and other deposits | **16,547** | 9,930 |
| Others | **29,652** | 29,845 |
| | **514,249** | 456,319 |

The Group's sales are made on credit terms of 7 to 120 days.

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

| | **30 September 2009 HK$'000** | 31 March 2009 HK$'000 |
|---|---|---|
| 0 – 1 month | **208,041** | 178,475 |
| 1 – 3 months | **231,593** | 186,631 |
| Over 3 months | **3,333** | 37,457 |
| | **442,967** | 402,563 |

## 10. TRADE AND OTHER PAYABLES

| | **30 September 2009 HK$'000** | 31 March 2009 HK$'000 |
|---|---|---|
| Trade payables | **100,649** | 162,992 |
| Other payables | **321,434** | 222,126 |
| | **422,083** | 385,118 |

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

| | **30 September 2009 HK$'000** | 31 March 2009 HK$'000 |
|---|---|---|
| 0 – 1 month | **68,960** | 96,887 |
| 1 – 3 months | **22,091** | 56,439 |
| Over 3 months | **9,598** | 9,666 |
| | **100,649** | 162,992 |

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESSES

The Group is mainly engaged in publishing and printing newspapers, magazines and books. It also operates websites containing contents from its publications as well as contents specifically created for the websites. It sells advertising space in newspapers and magazines and on websites in Hong Kong and Taiwan, and also internet subscription. In addition, it provides printing and reprographic services.

## FINANCIAL RESULTS

The Group's revenue totalled HK$1,498.3 million during the six months ended 30 September 2009. This was HK$296.9 million or 16.5% lower than the figure of HK$1,795.2 million recorded in the same period in 2008. The decline was mainly attributable to a fall of HK$246.6 million in the Group's advertising income from newspapers and magazines, as a result of sluggish economic conditions in both Hong Kong and Taiwan.

The Group's earnings totalled HK$221.4 million during the period under review, before interest, tax, depreciation, amortisation and after minority interests. This represented a decline of 29.2% on the figure of HK$312.9 million for the corresponding period of 2008. Basic earnings per share were HK5.0 cents, compared with HK8.6 cents in the same period last year.

The Group recorded unaudited consolidated profit of HK$122.2 million, which was 41.3% lower than the figure of HK$208.3 million for the same period in 2008. This was mainly due to the substantial decline in advertising income mentioned above.

Despite the difficult business environments in Hong Kong and Taiwan had an adverse effect on the earnings of all the Group's operations, the results of the Group were broadly within the range of its expectations as a result of a number of cost containment measures previously taken and a significant decline of paper cost.

## OVERVIEW OF MAJOR MARKETS

The operating environment for the media and publishing industries in both Hong Kong and Taiwan, while difficult, grew somewhat stabilised and brighter during the latter part of the period under review, and overall was better than in the fourth quarter of 2008. However, the pace of the overall economic recovery was slow and choppy in both places, although the improvement was slightly more noticeable in Hong Kong than in Taiwan.

These adverse economic conditions were reflected by the Group's disappointing advertising revenue – which accounts for around two-thirds of its total revenue. It was still a slight improvement on the figure for the second half of 2008/09 financial year. Meanwhile, circulation income – which makes up most of the remaining one-third – remained relatively stable.

Overall, the Group feels that the results it achieved during the period under review were reasonable, given the general business environment. It feels somewhat disappointed about the weak performance of Taiwan's economy, which prevented it from advancing closer to its goal of deriving 50% of its total revenues from the island. The Group's operations in Hong Kong and elsewhere accounted for about 59.8% of its revenue during the six months ended 30 September 2009, compared with 58.3% in the same months of 2008, whereas its Taiwan operations contributed the other 40.2% (2008: 41.7%).

## OPERATIONAL REVIEW

The revenues and segment profits of all the Group's operating units declined during the period under review, primarily due to the slide in its advertising income from newspapers and magazines.

Anticipating the challenges in the general business environment, especially their detrimental effect on advertising income, the Group continued to maintain very strict controls over every area of its operating expenses.

Human resources account for more than one-third of the Group's total expenses, and the existing freeze on the headcounts in almost all its departments remained in place. The ratios of advertising and editorial pages in its publications were carefully monitored, and their layouts were rationalised 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.

At the same time, the Group paid extra attention to managing its credit and receivables. The trends in the global business environment were likewise scrutinised, and the Group continued to prudently build up its cash reserves and invest them cautiously.

One favourable factor in the period under review was a significant decline in the cost of paper, which also accounted for more than one-third of the Group's total expenses. Its cost is expected to remain stable during the second half of the 2009/10 financial year.

## NEWSPAPERS PUBLICATION AND PRINTING DIVISION

The Newspapers Publication and Printing Division accounted for 69.3% of the Group's total external revenue during the six months ended 30 September 2009. *Apple Daily* and *Taiwan Apple Daily* made the largest contributions to the Division's external revenue, which totalled HK$1,038.8 million, a decrease of 14.9% on the figure of HK$1,220.8 million for the corresponding period last year. The Division's segment profit declined by 18.1% to HK$147.4 million, compared with HK$180.0 million in the same period of 2008.

*Apple Daily* maintained its position as the second most widely read Hong Kong daily newspaper during the past 12-month period. Its revenue totalled HK$534.1 million during the period under review, a decrease of 11.9% on the figure of HK$606.0 million recorded in the same period of 2008. Such revenue included printing revenues from other publishers – including the locally distributed copies of *Asian Wall Street Journal* and two Japanese newspapers – during the six months ended 30 September 2009.

*Taiwan Apple Daily* continued to be the island's most widely read daily and its revenue decreased by 17.8% to HK$506.0 million in the same period, compared with HK$615.9 million during the corresponding months of 2008.

*Sharp*, the Group's free newspaper distributed in Taiwan, maintained its popularity among readers and advertisers alike, thus fulfilling the Group's strategic objective of having a presence in this niche market. Copies of the newspaper are distributed to commuters every morning from Mondays to Saturdays. The publication continued to be particularly effective in attracting smaller local advertisers, who find traditional print media too expensive.

## BOOKS AND MAGAZINES PUBLICATION AND PRINTING DIVISION

The Books and Magazines Publication and Printing Division recorded a revenue of HK$448.6 million, a decrease of 21.2% on the figure of HK$569.4 million achieved in the corresponding period of 2008.

The Group retained its strong position in the Hong Kong magazine market by publishing the city's two best-selling and most widely read weeklies.

Its flagship title, *Next Magazine*, generated HK$117.2 million in revenue during the six months ended 30 September 2009, a decline of 14.0% compared with the figure of HK$136.3 million for the corresponding period last year.

The total revenue of the *Sudden Weekly Bundle* – consisting of *Sudden Weekly*, *Eat & Travel Weekly* and *ME!* – declined slightly to HK$134.4 million during the six months up to 30 September 2009, compared with HK$143.0 million in the same period of 2008. *Sudden Weekly Bundle* remained Hong Kong's best-selling and most widely read weekly publication.

*FACE Bundle* – which incorporates *FACE*, *Auto Express* and *Trading Express* – continued to be a popular, infotainment weekly among Hong Kong youngsters. It achieved a total revenue of HK$43.0 million in the six months up to 30 September 2009, compared with HK$59.3 million during the same period last year, a decrease of 27.5%.

*Taiwan Next Magazine* remained the island's best-selling and most widely read weekly. Its revenues totalled HK$93.3 million in the six months ended 30 September 2009, compared with HK$130.7 million in the same period last year, a decrease of 28.6%.

The printing section of the Division continued to enjoy a high reputation for the quality of its printing work. Its revenue from work on behalf of internal customers within the Group during the six months ended 30 September 2009 remained fairly stable. The Division's external revenue for the period amounted to HK$45.6 million, 43.4% lower than the HK$80.5 million it earned in the same period last year. This was mainly the result of a fall in the amount of business it received from Europe and North America, where economic conditions remained poor.

The Division's segment profit of HK$64.3 million was 40.3% lower than the figure of HK$107.7 million recorded in the corresponding period of 2008.

## INTERNET BUSINESSES DIVISION

The Internet Businesses Division continued to play a valuable role in the Group, especially as a channel to strengthen its brand image among younger people. The webcasting services have begun to attract a modest amount of advertising revenue.

The Division's business continued to be stable. Its revenue totalled HK$24.0 million during the period under review, which was an increase of 2.1% on the figure of HK$23.5 million recorded in the same months of 2008. However, the operating expenses incurred in the services mentioned above meant that the Division recorded a segment loss of HK$29.3 million, compared with a loss of HK$28.8 million in the corresponding period last year.

## TELEVISION DIVISION

The Group has always regarded Taiwan as an ideal location for building and further extending the scope of its business operations. It continued to make steady progress towards this goal by establishing a new television division and investing HK$15.4 million in its set-up costs during the period under review.

## FUTURE PROSPECTS AND OUTLOOK

Although there have been some "green shoots of recovery", especially the improvements seen in many stock markets during recent months, the shadow of last year's major financial downturn still hangs heavily over the global business community.

Hong Kong's economy has fared better than those of many other countries and regions during recent months, thanks to the strength it has derived from China's resilience during the recession. On the other hand, Taiwan, which is more exposed to fluctuations in global markets, is moving at a slower pace, and its recovery from the downturn will probably be a longer process.

Taking all these indicators into account, the Group has decided to maintain an attitude of cautious optimism. While it hopes the positive feelings many people have about a worldwide economic recovery will be justified, and that it will happen relatively soon and on a sustainable basis, it still intends to remain very careful in the way it manages its businesses in Hong Kong and Taiwan.

One important initiative it is now taking is to continue investing in its television operation in Taiwan. It is currently building studios, hiring professional staff and applying for the necessary licences. If things progress according to plan, it will have its new channels on air in the first half of 2010.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group finances its operations 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 2009, the Group had available banking facilities totalling HK$724.9 million, of which HK$459.2 million had been utilised. All its bank borrowings bear interest at floating rates. There is no seasonality for its borrowing requirements. The Group's bank borrowings are denominated in Hong Kong Dollars (HK$) and New Taiwan Dollars (NT$).

The Group also had HK$914.1 million in bank balances and cash reserves, as of 30 September 2009. Its current ratio on the same date was 266.2%, compared to 290.1% on 31 March 2009. The Group's gearing ratio on the same date – calculated by dividing its long-term liabilities including current portions by total asset value – decreased to 10.1%, compared with 11.7% as of 31 March 2009.

## ASSETS PLEDGED

As of 30 September 2009, the Group had pledged its Taiwan properties, Hong Kong and Taiwan printing equipment with an aggregate carrying value of HK$634.2 million to various banks as security for bank loans granted to the Group.

## EXCHANGE EXPOSURE AND CAPITAL EXPENDITURE

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

As of 30 September 2009, the Group's net currency exposure was NT$3,968.6 million (equal to about HK$956.1 million), a decrease of 13.2% on the figure of NT$4,574.1 million (equal to about HK$1,045.3 million) as of 31 March 2009.

The Group's strategy is to reduce its exchange rate exposure by arranging local currency bank loans. It therefore arranged various term loan facilities with a local bank in Taiwan, and the outstanding balance of the aforesaid term loan facilities amounted to NT$1,545.8 million (equal to about HK$372.4 million) as of 30 September 2009. The Group will closely monitor its overall currency exposure and, when considered appropriate, it will take further necessary actions to hedge against it.

During the six months ended 30 September 2009, the Group's capital expenditure amounted to HK$125.3 million, including HK$115.6 million for its Taiwan operations. A deposit amounting to HK$71.8 million was paid to various suppliers for the acquisition of property, plant and equipment, but this was not capitalised as property, plant and equipment as of 30 September 2009. As of the same date, the capital expenditure it had committed for its operations amounted to HK$366.1 million, including HK$363.0 million for its Taiwan operations.

## SHARE CAPITAL STRUCTURE

As of 30 September 2009, the Company's total issued share capital was HK$2,412,496,881. This was divided into 2,412,496,881 ordinary shares with a par value of HK$1.0 each.

## CONTINGENT LIABILITIES

During the period under review, 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 in the 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, namely Apple Daily Printing Limited ("ADPL"), over amounts payable in respect of the construction of the facility and legal action was taken by UDL with the High Court against ADPL and Mr. Lai Chee Ying, Jimmy ("Mr. Lai") for the claim stated in 2007.

Pursuant to the judgment issued by the high Court on 18 January 2008, the default judgment against ADPL had been set aside and the proceedings against ADPL had been referred to arbitration. UDL had been ordered to pay 20% of ADPL's cost on the application to set aside the default judgment. ADPL also obtained an order for payment of all of its costs in relation to the application for a stay of proceedings to arbitration from UDL and the amount had been received in July 2008.

In connection with the acquisition of Database Gateway Limited and its subsidiaries (the "Acquired Group") on 26 October 2001, Mr. Lai, the Company's Chairman and its substantial shareholder, 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 also 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.

The Directors are of the opinion that, it is unlikely that Group would have any liability if UDL pursues its various claims to their ultimate conclusion. Accordingly, it is the opinion of the Directors that the outstanding claims brought by UDL would not have any adverse material impact on the financial position of the Group.

The Group has accrued approximately HK$52.0 million legal and professional expenses in trade and other payables as at 30 September 2009 (at 31 March 2009: HK$36.0 million) and provision has been recognized in respect of the outstanding legal proceedings based on advice obtained from legal counsel. The Directors are of the opinion that the claims can be successfully defended by the Group.

Next Media also maintains contingent liabilities that are related to various corporate guarantees the Company has provided to financial institutions for facilities utilised by some of its subsidiaries. As of 30 September 2009, these contingent liabilities stood at HK$5.5 million.

## EMPLOYEES AND REMUNERATION POLICY

As of 30 September 2009, the Group employed a total of 3,697 employees, of whom 1,969 were in Hong Kong, 1,722 were in Taiwan, and 6 were in Canada. There were no material changes to the policies regarding employee remuneration, bonuses, share incentive schemes and staff development disclosed in the 2008/09 annual report. The Group's total staff costs for the six months ended 30 September 2009 amounted to HK$551.9 million, compared with HK$586.7 million during the same period of last year.

## INTERIM DIVIDEND

The Directors have resolved not to declare an interim dividend for the six months ended 30 September 2009 (for the six months ended 30 September 2008: 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. During the six months ended 30 September 2009, the Audit Committee held two meetings, on 1 June 2009 and 4 September 2009, and all its members attended both meetings. The Audit Committee reviewed, with its management, the Group's accounting principles and practices, internal controls and risk management systems, and financial reporting matters, including the review of the unaudited condensed consolidated financial statements for the six months ended 30 September 2009 and the fee proposal of the Company's external auditor for the year ending 31 March 2010.

The Group's external auditor, Deloitte Touche Tohmatsu, has reviewed the Company's unaudited condensed consolidated financial statements for the six months ended 30 September 2009 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 Hong Kong Accounting Standard 34, "Interim Financial Reporting", both of which were issued by the Hong Kong Institute of Certified Public Accountants.

## CODE ON CORPORATE GOVERNANCE PRACTICES (THE "CODE")

During the six months ended 30 September 2009, the Company fully complied with the applicable provisions of the Code set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for the following deviation:

### Code Provision E.1.2

Under Code provision E.1.2, the Chairman of the Board shall attend the Company's annual general meeting.

Mr. Lai was unable to attend the 2009 Annual General Meeting held on 20 July 2009 due to another business engagement.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 its 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 2009.

## 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 2009 containing all information required by Appendix 16 of 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
**Chu Wah Hui**
*Director*

Hong Kong, 30 November 2009

*As at the date of this announcement, the Executive Directors of the Company are Mr. Lai Chee Ying, Jimmy, Mr. Chu Wah Hui, Mr. Ting Ka Yu, Stephen and Mr. Ip Yut Kin, the Non-executive Director of the Company is Mr. Cheung Ka Sing, Cassian 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.*