NEXT MEDIA LIMITED

(a company incorporated in Hong Kong with limited liability)

(Stock Code: 282)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2006

HIGHLIGHTS

- The Group's turnover totalled HK$3,322.0 million, an increase of 13.3% on the previous financial year's figure of HK$2,932.2 million.
- The Group recorded a net profit attributable to shareholders of HK$440.8 million as compared to a profit of HK$104.3 million recorded in the previous financial year.
- *Taiwan Apple Daily* achieved its first-ever profit of HK$1.2 million during the year as compared with a loss of HK$196.3 million recorded in the previous financial year.
- A final dividend of HK18 cents per ordinary share was recommended, together with the interim dividend of HK5 cents and the special dividend of HK25 cents per ordinary share paid during the year, total dividend per ordinary share would amount to HK48 cents.

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 2006 together with the comparative figures for the previous year.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2006

	NOTES	2006 HK$'000	2005 HK$'000 (restated)
Revenue	2	**3,322,024**	2,932,172
Production costs		**(2,031,868)**	(1,805,171)
Other income	2	**51,030**	28,661
Personnel costs excluding direct production staff costs		**(368,751)**	(323,652)
Depreciation of property, plant and equipment		**(143,967)**	(140,425)
Release of prepaid lease payments to income statement		**(1,919)**	(2,040)
Amortisation of intangible assets		**–**	(91,539)
Other administrative expenses		**(244,798)**	(288,431)
Impairment of intangible assets	6	**(45,000)**	(136,918)
Other expenses		**(9,985)**	(4,260)
Share of results of associates		**–**	830
Finance costs	4	**(11,484)**	(6,083)
Profit before taxation		**515,282**	163,144
Taxation	5	**(74,516)**	(58,887)
Profit for the year		**440,766**	104,257
Attributable to:			
Equity holders of the parent		**440,766**	104,257
Minority interests		**–**	–
		440,766	104,257
Dividends	7	**479,367**	–
Earnings per share	8		
– Basic		**28 cents**	7 cents
– Diluted		**18 cents**	4 cents

CONSOLIDATED BALANCE SHEET

At 31 March 2006

	NOTES	2006 HK$'000	2005 HK$'000 (restated)
NON-CURRENT ASSETS			
Intangible assets	6	**1,300,881**	1,345,881
Property, plant and equipment		**1,596,996**	1,689,872
Prepaid lease payments		**72,338**	83,691
Deferred tax assets		**3,572**	1,058
Deposit for acquisition of property, plant and equipment		**25,912**	–
		2,999,699	3,120,502
CURRENT ASSETS			
Inventories	9	**214,053**	183,710
Accounts receivable, deposits and prepayments	10	**592,624**	523,354
Prepaid lease payments		**1,797**	2,041
Derivative financial instruments		**170**	–
Restricted bank balances		**5,411**	5,411
Bank balances and cash		**671,033**	593,361
		1,485,088	1,307,877
CURRENT LIABILITIES			
Accounts payable and accrued charges	11	**450,931**	372,713
Dividend payable		**32,200**	–
Bank borrowings	12	**79,570**	53,793
Taxation payable		**7,270**	15,578
		569,971	442,084
NET CURRENT ASSETS		**915,117**	865,793
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,914,816**	3,986,295
NON-CURRENT LIABILITIES			
Bank borrowings	12	**180,834**	163,441
Pensions obligations		**19,662**	19,061
Deferred tax liabilities		**314,723**	316,961
		515,219	499,463
NET ASSETS		**3,399,597**	3,486,832
CAPITAL AND RESERVES			
Share capital		**3,101,643**	3,092,774
Reserves		**295,894**	391,998
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**3,397,537**	3,484,772
MINORITY INTERESTS		**2,060**	2,060
TOTAL EQUITY		**3,399,597**	3,486,832

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and application of Hong Kong Financial Reporting Standards

In the current year, the Group and the Company has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (HKFRSs), Hong Kong Accounting Standards (HKASs) and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively.

The adoption of the new HKFRSs has resulted in changes to the Group's and the Company's accounting policies in the following areas that have an effect on how the results for the current and/or prior accounting years are prepared and presented:

(a) Business Combinations

In the current year, the Group has applied HKFRS 3 *Business Combinations* ("HKFRS 3") which is effective for business combinations for which the agreement date is on or after 1 January 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous years, goodwill arising on acquisitions prior to 1 January 2001 was held in reserves. The Group has applied the relevant transitional provisions in HKFRS 3. Goodwill previously recognised in reserves of HK$15,559,000 has been transferred to the Group's accumulated profits on 1 April 2005. Comparative figures for 2004 have not been restated.

(b) Share-based Payments

In the current year, the Group has applied HKFRS 2 *Share-based Payment* ("HKFRS 2") which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to directors and employees of the Company, determined at the date of grant of the share options, over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1 April 2005. In relation to share options granted before 1 April 2005, the Group chooses not to apply HKFRS 2 with respect to share options granted on or before 7 November 2002 and vested before 1 April 2005. No share options were granted after 7 November 2002 and had not yet vested on 1 April 2005. Comparative figures have not been restated.

(c) Financial Instruments

In the current year, the Group has applied HKAS 32 *Financial Instruments: Disclosure and Presentation* ("HKAS 32") and HKAS 39 *Financial Instruments: Recognition and Measurement* ("HKAS 39"). HKAS 32 requires retrospective application. The adoption of HKAS 32 has had no effect on the Group's results for current and prior years. HKAS 39, which is effective for annual periods beginning on or after 1 April 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to the classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

Financial assets and financial liabilities other than debt and equity securities

From 1 April 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of Statement of Standard Accounting Practice 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. Other financial liabilities are carried at amortised cost using the effective interest method after initial recognition. This change in accounting policy has had no effect on the Group's results for current and prior years.

Interest-free non-current loans

Prior to the application of HKAS 39, interest-free non-current balances due to (from) the subsidiaries were stated at the face value. HKAS 39 requires all financial assets and financial liabilities to be measured at fair value on initial recognition. Such interest-free loans are measured at amortised cost determined using the effective interest method at subsequent balance sheet dates. The Company has applied the relevant transitional provisions in HKAS 39. This change in accounting policy has had no effect on the Company's results for current and prior years.

Derivatives

From 1 April 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives (including embedded derivatives separately accounted for from the non-derivative host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. The corresponding adjustments on changes in fair values would depend on whether the derivatives are designated as effective hedging instruments, and if so, the nature of the item being hedged. For derivatives that are deemed as held for trading, changes in fair values of such derivatives are recognised in profit or loss for the period in which they arise.

Since there is no derivative as at 31 March 2005, the adoption of HKAS 39 has had no effect on the Group's accumulated profits as at 1 April 2005. The derivatives of the Group do not meet the requirements of hedge accounting in accordance with HKAS 39 and the Group has, from 1 April 2005 onwards, deemed such derivatives as held for trading.

(d) Owner-occupied Leasehold Interest in Land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the revaluation model. In the current year, the Group has applied HKAS 17 *Leases* ("HKAS 17"). Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively.

(e) Change of Accounting Estimates – Intangible Assets with Indefinite Useful Lives

In previous year, intangible assets were amortised over 20 years which was the maximum period allowable for amortisation under Statement of Standard Accounting Practice 29. HKAS 38 *Intangible Assets* ("HKAS 38") requires intangible assets to be assessed at the individual asset level as having either finite or indefinite life. A finite-life intangible asset is amortised over its estimated useful life whereas an intangible asset with an indefinite useful life is carried at cost less accumulated impairment losses (if any). Intangible assets with indefinite lives are not subject to amortisation but are tested for impairment annually or more frequently when there are indications of impairment. In accordance with the transitional provisions in HKAS 38, the Group reassessed the useful lives of its intangible assets on 1 April 2005 and concluded that all intangible assets with a total carrying amount of HK$1,345,881,000 recognised under the predecessor accounting standard have indefinite useful lives. The Group has applied the revised useful lives prospectively and discontinued amortising intangible assets with indefinite useful lives from 1 April 2005. No amortisation has been charged in relation to intangible assets with indefinite useful lives for the year ended 31 March 2006. Comparative figures for the year ended 31 March 2005 have not been restated.

Summary of the Effects of the Changes in Accounting Policies

The effects of the changes in the accounting policies on the results for the current and prior years are as follows:

The following is an analysis of increase in profit for the year ended 31 March 2006 by line items presented according to their function:

(i) On results

	HKFRS 3 HK$'000 (Note (a))	HKFRS 2 HK$'000 (Note (b))	HKAS 39 HK$'000 (Note (c))	HKAS 38 HK$'000 (Note (e))	Total effect HK$'000
For the year ended 31 March 2006					
Non-amortisation of intangible assets	–	–	–	82,130	82,130
Impairment of intangible assets	–	–	–	(45,000)	(45,000)
Expenses in relation to share options granted to employees	–	(1,540)	–	–	(1,540)
Gain arising from changes in fair value of derivative financial instrument	–	–	170	–	170
Increase in profit for the year	–	(1,540)	170	37,130	35,760
Attributable to:					
Equity holders of the parent	–	(1,540)	170	37,130	35,760
Minority interests	–	–	–	–	–
	–	(1,540)	170	37,130	35,760

(ii) On income statement line items

	HKFRS 3 HK$'000 (Note (a))	HKFRS 2 HK$'000 (Note (b))	HKAS 39 HK$'000 (Note (c))	HKAS 38 HK$'000 (Note (e))	Total effect HK$'000
For the year ended 31 March 2006					
Increase in other administrative expenses	–	(1,540)	170	–	(1,370)
Decrease in amortisation of intangible assets	–	–	–	82,130	82,130
Increase in impairment of intangible assets	–	–	–	(45,000)	(45,000)
Increase in profit for the year	–	(1,540)	170	37,130	35,760

The changes in accounting policies had no effect on the results for the year ended 31 March 2005.

The cumulative effects of the new HKFRSs as at 31 March 2005 and 1 April 2005 are summarised below:

The Group

	As at 31 March 2005 (Originally stated) HK$'000	Retrospective adjustments HKAS 1 HK$'000	Retrospective adjustments HKAS 17 HK$'000 (Note (d))	As at 31 March 2005 (Restated) HK$'000	Prospective adjustment HKFRS 3 HK$'000 (Note (a))	As at 1 April 2005 (Restated) HK$'000
Balance sheet items						
Intangible assets	1,345,881	–	–	1,345,881	–	1,345,881
Property, plant and equipment	1,775,604	–	(85,732)	1,689,872	–	1,689,872
Prepaid lease payments	–	–	85,732	85,732	–	85,732
Deferred tax assets	1,058	–	–	1,058	–	1,058
Pension obligations	(19,061)	–	–	(19,061)		(19,061)
Deferred tax liabilities	(316,961)	–	–	(316,961)	–	(316,961)
Other assets and liabilities	700,311	–	–	700,311	–	700,311
Total effects on assets and liabilities	3,486,832	–	–	3,486,832	–	3,486,832
Share capital	3,092,774	–	–	3,092,774	–	3,092,774
Share premium	222,197	–	–	222,197	–	222,197
Property revaluation reserve	1,161	–	–	1,161	–	1,161
Translation reserve	84,759	–	–	84,759	–	84,759
Goodwill reserve	(15,559)	–	–	(15,559)	15,559	–
Accumulated profits	99,440	–	–	99,440	(15,559)	83,881
Equity holders of the parent	3,484,772	–	–	3,484,772	–	3,484,772
Minority interests	–	2,060	–	2,060	–	2,060
Total effects on total equity	3,484,772	2,060	–	3,486,832	–	3,486,832
Minority interests	(2,060)	2,060	–	–	–	–

The changes in accounting policies had no effect on the Group's equity as at 1 April 2004.

The Group and the Company have not early applied the following new standards and interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these new standards or interpretations will have no material impact on the financial statements of the Group except for the potential impact of HKAS 39 and HKFRS 4 (Amendments) on the Company cannot be reasonably estimated.

HKAS 1 (Amendment)	Capital disclosure [1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures [2]
HKAS 21 (Amendment)	Net investment in a foreign operation [2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions [2]
HKAS 39 (Amendment)	The fair value option [2]
HKAS 39 and HKFRS 4 (Amendments)	Financial guarantee contracts [2]
HKFRS 6	Exploration for and evaluation of mineral resources [2]
HKFRS 7	Financial instruments: Disclosures [1]
HK (IFRIC) – INT 4	Determining whether an arrangement contains a lease [2]
HK (IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds [2]
HK (IFRIC) – INT 6	Liabilities arising from participating in a specific Market – Waste electrical and electronic equipment [3]
HK (IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies [4]
HK (IFRIC) – INT 8	Scope of HKFRS 2 [5]
HK (IFRIC) – INT 9	Reassessment of embedded derivatives [6]

1 Effective for annual periods beginning on or after 1 January 2007.
2 Effective for annual periods beginning on or after 1 January 2006.
3 Effective for annual periods beginning on or after 1 December 2005.
4 Effective for annual periods beginning on or after 1 March 2006.
5 Effective for annual periods beginning on or after 1 May 2006.
6 Effective for annual periods beginning on or after 1 June 2006.

2. Revenue and other income

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 sales of advertising space on website. Revenue, which represents turnover of the Group recognised during the year, is as follows:

	2006 HK$'000	2005 HK$'000
Revenue		
Sales of newspapers	**736,232**	659,598
Sales of books and magazines	**299,698**	308,025
Newspapers advertising income	**1,438,702**	1,197,119
Books and magazines advertising income	**602,424**	577,222
Printing and reprographic services income	**215,775**	166,225
Internet subscription, content provision and advertising income	**29,193**	23,983
	3,322,024	2,932,172
Other income		
Sales of waste materials	**18,850**	18,250
Interest income on bank deposits	**20,527**	4,672
Rental income	**1,628**	1,741
Revaluation surplus of property, plant and equipment	**7,009**	–
Others	**3,016**	3,998
	51,030	28,661

3. Segmental information

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, North America, Europe and Australasia
Internet subscription, content provision and advertising	Hong Kong

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

Analysis of business segment results for the year ended 31 March 2006

	Newspapers publication and printing HK$'000	Books and magazines publication HK$'000	Books and magazines printing HK$'000	Internet subscription, content provision and advertising HK$'000	Eliminations HK$'000	Consolidated HK$'000
INCOME STATEMENT						
REVENUE						
External sales	**2,274,986**	**902,122**	**115,723**	**29,193**	**–**	**3,322,024**
Inter-segment sales	**–**	**–**	**190,601**	**–**	**(190,601)**	**–**
	2,274,986	**902,122**	**306,324**	**29,193**	**(190,601)**	**3,322,024**
Segment results	**299,545**	**115,049**	**47,847**	**13,295**	**–**	**475,736**
Other income						**51,030**
Finance costs						**(11,484)**
Profit before taxation						**515,282**
Taxation						**(74,516)**
Profit for the year						**440,766**
BALANCE SHEET						
Segment assets	**2,979,830**	**556,917**	**262,806**	**5,218**	**–**	**3,804,771**
Unallocated assets						**680,016**
Total assets						**4,484,787**
Segment liabilities	**(275,824)**	**(137,921)**	**(77,827)**	**(8,602)**	**–**	**(500,174)**
Unallocated liabilities						**(585,016)**
Total liabilities						**(1,085,190)**

Analysis of business segment results for the year ended 31 March 2005

	Newspapers publication and printing HK$'000	Books and magazines publication HK$'000	Books and magazines printing HK$'000	Internet subscription, content provision and advertising HK$'000	Eliminations HK$'000	Consolidated HK$'000
INCOME STATEMENT						
REVENUE						
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 income						28,661
Share of results of associates						830
Finance costs						(6,083)
Profit before taxation						163,144
Taxation						(58,887)
Profit for the year						104,257
BALANCE SHEET						
Segment assets	2,935,145	612,699	275,996	4,709	–	3,828,549
Unallocated assets						599,830
Total assets						4,428,379
Segment liabilities	(204,511)	(131,244)	(45,043)	(8,358)	–	(389,156)
Unallocated liabilities						(552,391)
Total liabilities						(941,547)

Secondary reporting format – geographical segments

The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the goods/services:

	2006 HK$'000	2005 HK$'000
Hong Kong	**1,977,477**	1,969,225
Taiwan	**1,250,805**	881,483
North America	**59,012**	48,948
Europe	**23,550**	21,549
Australasia	**10,140**	6,921
Others	**1,040**	4,046
	3,322,024	2,932,172

The following is an analysis of the carrying amount of segment assets and liabilities to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:

	2006 Total assets HK$'000	2006 Capital expenditure HK$'000	2005 Total assets HK$'000	2005 Capital expenditure HK$'000
Hong Kong	**2,600,420**	**69,010**	2,641,188	21,940
Taiwan	**1,199,776**	**15,226**	1,183,823	10,626
North America	**4,575**	**10**	3,538	28
	3,804,771	**84,246**	3,828,549	32,594
Unallocated assets	**680,016**		599,830	
Total assets	**4,484,787**		4,428,379	

4. Finance costs

	2006 HK$'000	2005 HK$'000
Interest expenses on bank borrowings wholly repayable within five years	**11,484**	6,083

5. Taxation

	2006 HK$'000	2005 HK$'000
The charge comprises:		
Current tax:		
Hong Kong	**81,933**	96,953
Other jurisdictions	**318**	–
Overprovision in prior years	**(2,983)**	(895)
	79,268	96,058
Deferred tax:		
Current year	**(4,752)**	(37,171)
	74,516	58,887

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.

6. Intangible assets

	Masthead and publishing rights HK$'000
COST	
At 1 April 2004, 1 April 2005 and 31 March 2006	1,820,930
Effect of changes in accounting policies	(338,131)
At 31 March 2006	1,482,799
ACCUMULATED AMORTISATION AND IMPAIRMENT	
At 1 April 2004	246,592
Charge for the year	91,539
Impairment loss recognised for the year	136,918
At 31 March 2005	475,049
Effect of changes in accounting policies	(338,131)
Impairment loss recognised for the year	45,000
At 31 March 2006	181,918
CARRYING VALUES	
At 31 March 2006	1,300,881
At 31 March 2005	1,345,881

The masthead and publishing rights are considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. It will be tested for impairment annually and whenever there is an indication that it may be impaired.

The Directors reviewed the business valuation, the anticipated profitability and the anticipated future operating cash flows of the masthead and publishing rights. With reference to the financial results and anticipated future operating cash flows, due to recurring loss and anticipated negative operating cash flows for certain masthead and publishing rights, the Directors of the Company identified an impairment loss in respect of masthead and publishing rights of approximately HK$45,000,000 (2005: HK$136,918,000) for the year.

7. Dividends

	2006 HK$'000	2005 HK$'000
Interim dividend paid of HK5 cents (2005: Nil) per ordinary share	**74,528**	–
Special dividend paid of HK25 cents (2005: Nil) per ordinary share	**372,639**	–
Share dividend declared of HK3.5 cents (2005: Nil) per preference share	**32,200**	–
	479,367	–

The final dividend of HK18 cents (2005: Nil) per share has been proposed by the Directors and is subject to approval by the shareholders in annual general meeting. The dividends declared and proposed after the balance sheet date have not been recognised as a liability at the balance sheet date.

8. **Earnings per share**

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

	2006 HK$'000	2005 HK$'000
Profit for the year:		
Earnings for the purposes of basic earnings per share	**408,566**	104,257
Adjustment to dividend on preference shares	**32,200**	–
Earnings for the purposes of diluted earnings per share	**440,766**	104,257

	No. of shares	
	2006	2005
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,486,485,622**	1,480,810,328
Share options	**1,972,714**	5,570,493
Convertible preference shares	**920,000,000**	920,000,000
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**2,408,458,336**	2,406,380,821

The following table summarises the impact on basic and diluted earnings per share as a result of:

	Impact on basic earnings per share		Impact on diluted earnings per share	
	2006 HK cents	2005 HK cents	**2006 HK cents**	2005 HK cents
Reported figures before adjustments	**26**	7	**16**	4
Adjustments arising from changes in accounting policies *(see Note 1)*	**2**	–	**2**	–
Restated	**28**	7	**18**	4

9. **Inventories**

	2006 HK$'000	2005 HK$'000
Raw materials	**212,990**	180,643
Work in progress	**634**	2,752
Finished goods	**429**	315
	214,053	183,710

10. **Accounts receivable, deposits and prepayments**

	2006 HK$'000	2005 HK$'000
Accounts receivable, net of allowance of approximately HK$38,717,000 (2005: HK$41,166,000)	**501,421**	447,493
Prepayments	**49,497**	41,415
Rental and other deposits	**18,746**	15,930
Others	**22,960**	18,516
	592,624	523,354

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

An analysis of the accounts receivable of the Group by age was as follows:

	2006 HK$'000	2005 HK$'000
0 – 1 month	**233,545**	190,191
1 – 3 months	**228,108**	166,919
Over 3 months	**39,768**	90,383
	501,421	447,493

The fair value of the accounts receivable of the Group at 31 March 2006 approximates to the corresponding carrying amount.

11. **Accounts payable and accrued charges**

	2006 HK$'000	2005 HK$'000
Accounts payable	**151,164**	114,932
Accrued charges *(Note)*	**299,767**	257,781
	450,931	372,713

Note: The accrued charges include an amount of HK$52,961,000 (2005: HK$59,311,000) accrued for legal and professional expenses.

An analysis of the accounts payable of the Group by age was as follows:

	2006 HK$'000	2005 HK$'000
0 – 1 month	**112,562**	80,946
1 – 3 months	**26,517**	23,036
Over 3 months	**12,085**	10,950
	151,164	114,932

The fair value of the accounts payable and accrued charges of the Group at 31 March 2006 approximates to the corresponding carrying amount.

12. **Bank Borrowings**

An analysis of the secured bank loans is as follows:

	2006 HK$'000	2005 HK$'000
Carrying amount repayable		
– within one year	**79,570**	53,793
– in the second year	**80,165**	54,347
– in the third year	**80,787**	54,918
– in the fourth year	**19,882**	45,513
– in the fifth year	–	8,663
	260,404	217,234
Less: Current portion	**(79,570)**	(53,793)
Non-current portion	**180,834**	163,441

All bank loans are variable-rate borrowings which carry interest ranging from 1 month to 2 years fixed deposit rate of 1.01% to 2.60% plus 0.6% to 2.25% per annum (2005: ranging from Hong Kong Interbank Offered Rate ("HIBOR") plus 1.105% to HIBOR plus 2% per annum).

The Group's bank loan that are denominated in currencies other than functional currency of the Company are set out below:

	New Taiwanese Dollar ("NTD") '000	Equivalent to HK$'000
As at 31 March 2006	1,089,533	260,404
As at 31 March 2005	272,430	67,234

The fair value of the secured bank loans of the Group at 31 March 2006 approximates to the corresponding carrying amount.

MANAGEMENT DISCUSSION & ANALYSIS

OPERATIONAL REVIEW

Next Media again achieved satisfactory financial results during the year ended 31 March 2006. Against a backdrop of fierce competition in the marketplace, it maintained its unchallenged position as Hong Kong's largest print media group. Meanwhile, its Taiwan operation became profitable for the first time during the year.

During the year under review, the Group's turnover totalled HK$3,322.0 million, an increase of 13.3 percent on the previous financial year's figure of HK$2,932.2 million. As in the two previous years, a large percentage of this increased turnover was directly attributable to income from *Taiwan Apple Daily*.

Newspapers Publication and Printing Division

The Group's Newspapers Publication and Printing Division again generated the largest share of its total turnover in 2005/06. Its turnover rose to HK$2,275.0 million, an increase of 18.7 percent on the figure of HK$1,916.9 million during the previous financial year.

Apple Daily

Apple Daily continued to be the second most widely read newspaper in Hong Kong during 2005. Its popularity in the hearts and minds of well-educated, middle-income mass-market readers held steady, notwithstanding the strong competition from paid-for titles, the launch of two new free dailies, the decision of another daily newspaper to cut its cover price, and the growing popularity of online media as alternative sources of information.

During the year under review, *Apple Daily*'s total turnover was HK$1,161.1 million, a slight decrease of 2.9 percent on the previous year's figure of HK$1,195.2 million. Of this, circulation sales income accounted for HK$422.7 million, a decrease of HK$34.0 million or 7.4 percent compared to the previous year's figure of HK$456.7 million. Advertising declined slightly by HK$0.1 million from HK$738.5 million in 2004/05 to HK$738.4 million during 2005/06.

Taiwan Apple Daily

During the year under review, *Taiwan Apple Daily* continued to strengthen its popularity among the island's readers. It surpassed the readership level of the island's other bestselling newspapers during 2005, garnering an average daily readership of 2,696,000 readers a day, according to data from ACNielsen (Taiwan) Limited. The meteoric rise in its readership has been mirrored by the growth in *Taiwan Apple Daily*'s advertising income. Whereas total advertising spending in Taiwan declined by 13.2 percent in 2005, *Taiwan Apple Daily*'s advertising income grew from HK$458.6 million to HK$700.3 million, a remarkable increase of 52.7 percent.

As a result, *Taiwan Apple Daily*'s financial position has strengthened steadily, and it achieved its first-ever profit of HK$1.2 million for the year ended 31 March 2006, compared with a loss of HK$196.3 million for the previous year. Its impressive record to date encourages the Group's belief that *Taiwan Apple Daily* will become one of its major profit centres in the near future.

Apple Daily Printing Limited

The Group's newspaper printing business grew during the past fiscal year, fortifying its status as a long-term mainstay of the Group's success. Revenue from all printing activities in Hong Kong during 2005/06 amounted to HK$414.8 million, a rise of 14.0 percent on the previous year's figure of HK$363.8 million. Besides providing a full spectrum of printing support services to the Group's own titles, Apple Daily Printing Limited also enlarged its portfolio of external customers. Excluding transactions with Next Media titles, the Division's turnover in the 2005/06 financial year was HK$99.1 million, a year-on-year increase of HK$39.0 million or 64.9 percent on the previous year's figure of HK$60.1 million.

Books and Magazines Publication Division

The turnover of the Group's Books and Magazines Publication Division rose to HK$902.1 million during the year under review. This was 1.9 percent more than the previous year's figure of HK$885.3 million.

Next Magazine

Notwithstanding tremendous market competition, the turnover and profitability of *Next Magazine* remained stable, and it maintained its No. 2 ranking in the Hong Kong weekly magazine market.

Next Magazine's popularity among both male and female readers with post-secondary/tertiary education remained unequalled; it continued to reach a far higher percentage of such people than any other weekly. This accounted for its sustained appeal among advertisers, who regard it as an obligatory medium for selling their products and services to young, affluent managers and professionals. Against fierce competition, *Next Magazine*'s advertising revenue grew slightly, from HK$189.7 million in the 2004/05 financial year to HK$191.2 million in 2005/06.

Sudden Weekly and Eat & Travel Weekly ("Sudden Weekly Bundle")

Its unique breadth and depth of appeal, coupled with its clear positioning and up-to-the-minute coverage, ensured that *Sudden Weekly Bundle* kept a firm hold on its status as the most widely read weekly magazine in Hong Kong.

The total revenue of *Sudden Weekly Bundle* stood at HK$226.7 million against the previous year's figure of HK$226.6 million. Due to keen market competition, its advertising revenue declined to HK$153.0 million from the previous year's figure of HK$153.6 million, a small decline of 0.4 percent.

Easy Finder and Eat & Travel Weekly ("Easy Finder Bundle")

Riding on a reputation for delivering in-depth coverage of all the hottest fashions and trends to younger, brand-conscious readers, *Easy Finder Bundle* remained Hong Kong's third most widely read weekly and the leader in its category, as well as a firm favourite among media planners aiming to reach out to this high-spending market segment.

During 2005/06, the *Easy Finder Bundle*'s combined sales and advertising revenue totalled HK$143.9 million, a rise of 2.6 percent on the previous year's figure of HK$140.3 million.

Taiwan Next Magazine

From the moment its first issue hit the newsstands in 2001, the forthright voice and lively format of *Taiwan Next Magazine* have won the hearts and minds of readers. It has also earned it the uncontested reputation of being the island's hardest-hitting, most-talked-about and bestselling weekly.

In 2005/06, *Taiwan Next Magazine*'s advertising income totalled HK$155.4 million, an increase in the order of 12.0 percent on the previous year's figure of HK$138.8 million. The title made a segment profit of HK$43.9 million, which was 3.3 percent less than the previous year's figure of HK$45.4 million.

Books and Magazines Printing Division

The Books and Magazines Printing Division made another significant contribution to the Group's income during 2005/06. Its turnover totalled HK$306.3 million, an increase of 9.5 percent on the previous financial year's figure of HK$279.7 million. Of this amount, HK$190.6 million consisted of intersegmental sales, whereas the value of its business with external customers was HK$115.7 million, an increase of 9.0 percent on the previous year's figure of HK$106.1 million.

The Division continued to receive a steady stream of work from companies in Hong Kong, North America, Europe and Australasia. The Group is convinced that it will continue to derive a stable flow of revenue from commercial printing operations in the future.

Internet Division

The Group's Internet Division provides a convenient and inexpensive way for local and overseas readers to access online editions of their favourite Next Media publications.

During 2005/06, the division's revenue increased to HK$29.2 million, a rise of 21.7 percent on the previous year's figure of HK$24.0 million. Its segment profit rose by 18.8 percent, from HK$11.2 million to HK$13.3 million.

Subscription fees accounted for the majority of the Division's earnings, followed by advertising revenue and content licensing. Much of its growth during the past year was due to increases in the number of subscribers and advertising revenue.

FINANCIAL REVIEW

Turnover

The Group recorded a total turnover of HK$3,322.0 million during the year ended 31 March 2006. This was 13.3 percent greater than the figure of HK$2,932.2 million achieved in the preceding 12 months. The increase in turnover was primarily driven by *Taiwan Apple Daily*, which accounted for HK$1,014.7 million or 30.5 percent of the total turnover of the year.

In terms of geographical markets, Hong Kong remained the Group's bedrock, and its biggest source of revenue, accounting for HK$1,977.5 million or 59.5 percent of its total turnover in the 2005/06 financial year.

The turnover it derived from Taiwan increased substantially during the same period. These rose by 41.9 percent, from HK$881.5 million to HK$1,250.8 million. Taiwan is now the Group's second-largest revenue earner, accounting for 37.7 percent of the total, up from 30.1 percent the previous year.

In operational terms, newspaper publication and printing remained the Group's principal revenue source. The Newspapers Publication and Printing Division contributed HK$2,275.0 million or 68.5 percent of its total turnover. This was an increase of HK$358.1 million or 18.7 percent on the figure of HK$1,916.9 million for the previous year, or 65.4 percent of the Group's total revenue in the previous year.

The Books and Magazines Publication Division also performed well. It generated HK$902.1 million or 27.2 percent of the Group's total turnover. Meanwhile, the Internet Division contributed HK$29.2 million or 0.9 percent of the total. These two divisions scored increases of 1.9 percent and 21.7 percent on their respective turnovers of HK$885.3 million and HK$24.0 million during the previous year.

EBITDA and Segment Results

The Group's Earnings Before Interest, Taxes, Depreciation and Amortisation (EBIDTA) and before impairment loss in respect of intangible assets for the year ended 31 March 2006 amounted to HK$720.3 million. This represents an increase of HK$176.9 million over the figure of HK$543.4 million achieved during the preceding financial year. The improvement in the Group's performance was primarily attributable to a substantial improvement in the performance of *Taiwan Apple Daily*.

The Group achieved a segment profit of HK$475.7 million during the year under review. This was 240.5 percent higher than the segment profit of HK$139.7 million reported in the previous financial year.

The segment profit of the Group's Newspapers Publication and Printing Division during the 2005/06 financial year was HK$299.5 million, representing a 179.1 percent increase over the previous year's figure of HK$107.3 million.

The Group's Books and Magazines Publication Division contributed a segment profit of HK$160.0 million before a non-recurring impairment loss recognised in respect of intangible assets amounting to HK$45.0 million. This represented an increase of 41.8 percent on the previous year's figure of HK$112.8 million before a non-recurring impairment loss recognised in respect of intangible assets amounting to HK$136.9 million.

Operating Expenses

The Group's operating expenses during the 2005/06 financial year totalled HK$2,806.7 million. This represented an increase of HK$37.7 million or 1.4 percent compared to the previous year's figure of HK$2,769.0 million. Of this amount, HK$2,031.9 million or roughly 72.4 percent was attributable to essential production costs, including paper. Personnel costs (excluding direct production staff costs) accounted for HK$368.8 million or 13.1 percent of total operating expenses. This represented an increase of HK$45.1 million or 13.9 percent over the previous year's figure of HK$323.7 million. Another major contributing factor to the Group's operating expenses was the depreciation of property, plant and equipment and release of prepaid lease payments, which accounted for HK$145.9 million or 5.2 percent of the total amount.

Taxation

During the year ended 31 March 2006, the taxes levied on the Group amounted to HK$74.5 million, an increase of 26.5 percent compared to the previous year's figure of HK$58.9 million. The difference was mainly due to a deferred tax of HK$37.2 million credited to the consolidated income statement for 2004/05 financial year.

FINANCIAL POSITION

Current Assets and Current Liabilities

As at 31 March 2006, the Group held HK$1,485.1 million in current assets, an increase of 13.5 percent over the figure of HK$1,307.9 million 12 months earlier. The Group's total liabilities on the same date were HK$1,085.2 million. This represented an increase of 15.3 percent on the figure of HK$941.5 million a year earlier. The Group's cash in hand totalled HK$676.4 million as at 31 March 2006. The current ratio as at 31 March 2006 was 260.6 percent, a decrease of 11.9 percent, compared to the ratio of 295.8 percent that existed on 31 March 2005.

Accounts Receivable

As at 31 March 2006, the Group's accounts receivable totalled HK$501.4 million, an increase of 12.0 percent over the figure of HK$447.5 million a year earlier. The average turnover days for the Group's accounts receivable as at 31 March 2006 was 52.1 days, compared to 53.4 days on the same date of the previous year.

Accounts Payable

As at 31 March 2006, the Group's accounts payable amounted to HK$151.2 million. This was roughly 31.6 percent more than the figure of HK$114.9 million on the same date of the previous year. The average turnover days for its accounts payable was 38.3 days, compared with 36.4 days on the same date of the previous year.

Long-term and Short-term Liabilities

As at 31 March 2006, the Group's long-term liabilities, including current portions, totalled HK$260.4 million. This represented an increase of 19.9 percent on the figure of HK$217.2 million on the same date of the previous year. As at 31 March 2006, the current portion of the Group's long-term liabilities stood at HK$79.6 million, an increase of 48.0 percent measured against the figure of HK$53.8 million a year earlier.

Borrowing and Gearing

The Group's primary source of financing for its operations during the 2005/06 financial year was the cash flow generated by its operating activities and – to a lesser extent – banking facilities provided by its principal bankers.

During the year, its available banking facilities totalled HK$495.4 million, of which HK$295.6 million had been utilised. There was no seasonality in the Group's bank borrowing requirements, and all the monies borrowed bear interest at floating rates.

All the Group's bank borrowings during the year were denominated in New Taiwanese dollars. As at 31 March 2006, the Group possessed a total of HK$676.4 million in cash on hand. Its gearing ratio on the same date was 5.8 percent, compared to 4.9 percent a year earlier. The Group's gearing ratios are calculated by dividing long-term liabilities, including current portions, by total asset value.

Share Capital Structure

During the year, the Company issued 8,869,800 ordinary shares with a par value of HK$1.00 each. The issue was a result of the exercise of certain share options by option holders at an exercise price of HK$1.67 per share.

As at 31 March 2006, the Company's total issued share capital was HK$3,101.6 million. This figure was made up of 1,491,643,281 ordinary shares with a par value of HK$1.00 each and 920,000,000 preference shares with a par value of HK$1.75 each.

Cash Flow

The Group's net cash inflow from operating activities during the year ended 31 March 2006 amounted to HK$559.7 million, whereas its cash inflow from operating activities in last year was HK$328.1 million.

The outflow of investment-related cash during the same period totalled HK$75.9 million. This figure represented an increase of 195.3 percent on the total amount of HK$25.7 million during the previous financial year.

The Group's net cash outflow for financing activities during the year reached HK$398.5 million, compared with the preceding year's net cash outflow figure of HK$78.3 million. The 2005/06 figure mainly represented dividends paid in a total of HK$447.2 million, repayment of bank borrowings of HK$241.5 million and new borrowings raised amounting to HK$286.8 million.

Exchange Rate Exposure and Capital Expenditure

The Group's assets and liabilities are mainly denominated in either Hong Kong dollars or New Taiwanese dollars. The Group continues to face exchange rate exposure due to its magazine and newspaper publishing operations in Taiwan. It intends to reduce such exposure by arranging bank loans in New Taiwanese dollars, as and when possible. As at 31 March 2006, the Group's net currency exposure stood at NT$3,560.2 million (the equivalent of HK$850.9 million) a decrease of 29.4 percent on the figure of NT$5,042.6 million (the equivalent of HK$1,244.5 million) a year earlier. The decrease in currency exposure was due to the Group's arrangement of a four-year term loan worth NT$1.2 billion with various leading Taiwanese banks with *Taiwan Apple Daily* as the borrower during the previous financial year. This loan was drawn down in two tranches of NT$500.0 million and NT$700.0 million in April and June 2005 respectively. The Group will continue to monitor its overall currency exposure, and will take steps to hedge further against such exposure, if and when necessary.

The Group's capital expenditure for the 2005/06 financial year totalled HK$84.2 million, of which HK$15.2 million was used to fund its operations in Taiwan. By the year-end, it had committed to further capital expenditure of HK$91.9 million on its operations, of which HK$86.3 million was to fund its operations in Taiwan.

Pledge of Assets

As at 31 March 2006, Next Media had pledged certain elements of the Group's Hong Kong and Taiwanese 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 HK$669.2 million.

Various leading banks in Hong Kong have currently proposed a four-year syndication facility amounting to HK$240.0 million to the Group for its consideration. If the Group decides to proceed with this facility, it will involve pledging further securities consisting of property and printing equipment bearing a net book value of HK$370.2 million.

Contingent Liabilities

During the year 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 for those involved in the publishing business. The Group was also involved in a dispute with UDL Contracting Limited regarding amounts payable for the construction of a printing facility for a subsidiary, Apple Daily Printing Limited. As this 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 Chee Ying, Jimmy ("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 Contracting Limited) involving the businesses acquired through the Acquisition. Mr. Lai has subsequently procured a bank guarantee of HK$60.0 million 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 utilised by certain of its subsidiaries. As at 31 March 2006, these contingent liabilities stood at HK$125.4 million.

Impairment Loss in respect of Intangible Assets

In light of the new accounting standards, particularly HKAS 38 in respect of the valuation of intangible assets, the Board 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 2006, based on the value-in-use approach.

According to the valuation report issued by E&Y, the value of the Group's mastheads and publishing rights as at 31 March 2006 was HK$1,541.0 million (31 March 2005: HK$1,605.0 million) against the corresponding net book value of HK$1,345.9 million, before impairment loss, as at 31 March 2006 (31 March 2005: HK$1,482.8 million). Accordingly, a net revaluation surplus of HK$195.1 million as at 31 March 2006 (31 March 2005: HK$122.2 million) arose on a group basis, which comprised a revaluation surplus of HK$224.6 million as at 31 March 2006 (31 March 2005: HK$259.1 million) and a revaluation deficit of HK$29.5 million as at 31 March 2006 (31 March 2005: 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 its carrying value exceeded the estimated recoverable amount and such impairment was not temporary in nature, an impairment loss of HK$45.0 million should be recognised in the consolidated income statement for the year ended 31 March 2006 (for the year ended 31 March 2005: HK$136.9 million).

No adjustment was made to the Group's financial statements for those masthead and publishing rights with revaluation surplus amounting to HK$224.6 million as at 31 March 2006 (31 March 2005: HK$259.1 million), as the Group's accounting policy is to state these intangible assets at cost less accumulated amortisation and accumulated impairment loss.

PROSPECTS AND OUTLOOK

Next Media remains Hong Kong's biggest Chinese-language print media publisher. Each title in the Group's portfolio – *Apple Daily, Next Magazine, Easy Finder Bundle,* and *Sudden Weekly Bundle* – has gained a major share of its respective markets. The Group strongly believes that they will continue to generate steady income streams during the coming years, and that their advertising revenues will grow in tandem with the steady development of Hong Kong's economy. It intends to exert every effort to ensure that this happens.

At the same time, Taiwan's economy is expected to continue growing steadily during the coming months. The Group is confident that its operations in Taiwan will continue to flourish, and that these will contribute an increasing percentage of its future income. This optimism is driven by Taiwan's stable economic outlook, as well as by the encouraging successes of *Taiwan Next Magazine* and *Taiwan Apple Daily*, both of which have secured leadership status in the island's print media industry within a very short space of time.

In particular, *Taiwan Apple Daily* has overtaken all its peers within three years to become the most widely read daily newspaper on the island. The Group will likewise dedicate itself to building on the firm foundations that it has established in Taiwan, and it will make it a priority to introduce more of the titles it has successfully pioneered in Hong Kong to the island.

EMPLOYEES RELATIONS

As at 31 March 2006, Next Media employed a total of 3,472 people in Hong Kong, Taiwan and Canada. The Group acknowledges the contribution that every employee makes towards its success. By being an exemplary employer, it aims to attract and retain the best and brightest talent available in the industry. Moreover, it treats its staff members with respect, and it compensates them fairly for their hard work, enthusiasm and skills, as well as their adherence to the Group's strict ethical standards.

During the year under review, Next Media's total staff-related costs, including retirement benefits, totalled HK$991.7 million, an increase of 8.8 percent on the previous year's figure of HK$911.1 million.

DIVIDEND

The Directors recommend the payment of a final dividend of HK18 cents (2005: Nil) per ordinary share to the shareholders whose names appear on the register of members on Wednesday, 19 July 2006, which, together with the interim dividend and the special dividend per ordinary share will amount to a total of HK48 cents per ordinary share (2005: Nil.) The proposed final dividend, if approved by the shareholders at the forthcoming annual general meeting to be held on Wednesday, 19 July 2006, will be paid on Friday, 28 July 2006.

BOOK CLOSE PERIOD

The Register of Members of the Company will be closed from Monday, 17 July 2006 to Wednesday, 19 July 2006, both days inclusive, during which period no transfer of ordinary shares will be effected. All transfers of ordinary shares accompanied by relevant ordinary share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:00 p.m. on Friday, 14 July 2006, so as to qualify for the proposed final dividend.

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.

AUDIT COMMITTEE

The Audit Committee's membership is comprised solely of Independent Non-executive Directors, namely, Mr. Yeh V-Nee, Mr. Fok Kwong Hang, Terry, and Dr. Kao Kuen, Charles. During the year, the Audit Committee met twice with the external auditors in the absence of the Executive Directors, in order to review the Group's interim and annual financial statements before they were submitted to the Board for its consideration. Working closely with the external auditors, the Audit Committee also reviewed the adequacy and effectiveness of Next Media's internal control measures. The Chairman of the Audit Committee reported to the Board on the work done by the Audit Committee and highlighted any significant issues.

CORPORATE GOVERNANCE

During the year ended 31 March 2006, Next Media achieved full compliance with the applicable provisions of the Code on Corporate Governance Practices (the "CG Code") 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") with deviations from the following provisions:

CG Code provision A.2.1

Pursuant to CG Code provision A.2.1, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. The Company at present does not have any office with the title of "Chief Executive Officer". Mr. Lai, being the Executive Chairman of the Board, is responsible for setting the strategic directions of the Group and overseeing the effective running of the business.

CG Code provision E.1.2

Pursuant to CG Code provision E.1.2, the Chairman of the Board shall attend the Company's annual general meeting ("AGM"). Due to another business engagement, Mr. Lai was unable to attend the Company's AGM held on 29 July 2005. Mr. Ting Ka Yu, Stephen, an Executive Director who was present at the AGM, chaired the meeting in accordance with the provisions of the Company's Articles of Association. The Chairman of the Audit Committee, Mr. Yeh V-Nee, was also present.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

Next Media has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"). 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 2006.

By order of the Board
Ting Ka Yu, Stephen
Director

Hong Kong, 15 June 2006

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.