NEXTmedia

NEXT MEDIA LIMITED

(a company incorporated in Hong Kong with limited liability)

(Stock Code: 282)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2007

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 2007 together with the comparative figures for the previous year.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2007

	NOTES	2007 HK$'000	2006 HK$'000
Revenue	3	**3,245,163**	3,322,024
Production costs			
Cost of raw materials consumed		**(1,208,051)**	(1,268,712)
Other overheads		**(148,563)**	(140,178)
Staff costs		**(672,428)**	(622,978)
Personnel costs excluding direct production staff costs		**(385,630)**	(368,751)
Other income	3	**41,372**	51,030
Depreciation of property, plant and equipment		**(156,588)**	(143,967)
Release of prepaid lease payments to consolidated income statement		**(1,797)**	(1,919)
Impairment of intangible assets		–	(45,000)
Other expenses		**(290,518)**	(254,783)
Finance costs	5	**(9,384)**	(11,484)
Profit before tax		**413,576**	515,282
Income tax expense	6	**(71,163)**	(74,516)
Profit for the year		**342,413**	440,766
Attributable to:			
Equity holders of the parent		**344,435**	440,766
Minority interests		**(2,022)**	–
		342,413	440,766
Dividends	7		
Interim dividend paid of HK4 cents (2005/2006: HK5 cents) per ordinary share		**96,473**	74,528
Final dividend paid for 2005/2006-HK18 cents (2004/2005: Nil) per ordinary share		**268,529**	–
Special dividend paid for 2005/2006-HK25 cents (2004/2005: Nil) per ordinary share		–	372,639
Share dividend declared for 2005/2006-HK3.5 cents (2004/2005: Nil) per preference share		–	32,200
		365,002	479,367
Earnings per share	8		
– Basic		**HK 18 cents**	HK28 cents
– Diluted		**HK 14 cents**	HK18 cents

CONSOLIDATED BALANCE SHEET

At 31 March 2007

	NOTES	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Intangible assets	9	**1,300,881**	1,300,881
Property, plant and equipment		**1,571,665**	1,596,996
Prepaid lease payments		**70,541**	72,338
Deferred tax assets		**4,014**	3,572
Deposit for acquisition of property, plant and equipment		**5,442**	25,912
		2,952,543	2,999,699
CURRENT ASSETS			
Inventories	10	**202,739**	214,053
Trade and other receivables	11	**575,908**	592,624
Prepaid lease payments		**1,797**	1,797
Derivative financial instruments		**746**	170
Restricted bank balances		**5,411**	5,411
Bank balances and cash		**862,283**	671,033
		1,648,884	1,485,088
CURRENT LIABILITIES			
Trade and other payables	12	**485,700**	450,931
Dividend payable		–	32,200
Borrowings	13	**127,186**	79,570
Obligations under finance leases		**887**	–
Tax liabilities		**21,534**	7,270
		635,307	569,971
NET CURRENT ASSETS		**1,013,577**	915,117
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,966,120**	3,914,816
NON-CURRENT LIABILITIES			
Borrowings	13	**285,352**	180,834
Obligations under finance leases		**718**	–
Retirement benefits obligations		**18,340**	19,662
Deferred tax liabilities		**304,887**	314,723
		609,297	515,219
NET ASSETS		**3,356,823**	3,399,597
CAPITAL AND RESERVES			
Share capital		**2,411,829**	3,101,643
Reserves		**944,956**	295,894
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**3,356,785**	3,397,537
MINORITY INTERESTS		**38**	2,060
TOTAL EQUITY		**3,356,823**	3,399,597

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group and the Company has applied, for the first time, a number of new standard, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's and Company's financial year beginning 1 April 2006. The adoption of the new HKFRSs has had no material impact on the Group's results or financial position, however the Company is as follows:

The Company has applied Hong Kong Accounting Standard ("HKAS") 39 and HKFRS 4 (Amendments) *Financial Guarantee Contracts* which is effective for annual periods beginning on or after 1 January 2006.

A financial guarantee contract is defined by HKAS 39 *Financial Instruments: Recognition and Measurement* as "a contract requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument".

Prior to 1 January 2006, financial guarantee contracts granted by the Company to its subsidiaries were not recognised but disclosed as related party transactions and contingent liabilities.

Upon the application of these amendments, financial guarantee contracts granted by the Company to its subsidiaries and not designated as at fair value through profit or loss are recognised initially at its fair value. Subsequent to initial recognition, the Company measures the financial guarantee contracts at the higher of: (i) the amount determined in accordance with HKAS 37 *Provision, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

In relation to this change in accounting policy, the Company has applied the transitional provisions in HKAS 39. The fair value of the financial guarantee contracts at the date of grant of HK$2,930,000, representing a deemed capital contribution to the subsidiaries, has been adjusted to the carrying amount of investments in subsidiaries. The cumulative amortisation as at 1 April 2006 of HK$2,895,000 and the unamortised amount of HK$35,000 have been adjusted against accumulated profits and recognised as a financial liability for the financial guarantee contract respectively.

2. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The Group and the Company have not early applied the following new standard, amendment or interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these new standard, amendment or interpretations will have no material impact on the results and the financial position of the Group and the Company.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-Int 8	Scope of HKFRS 2[3]
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives[4]
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment[5]
HK(IFRIC)-Int 11	HKFRS 2-Group and Treasury Share Transactions[6]
HK(IFRIC)-Int 12	Service Concession Arrangements[7]

[1] Effective for annual periods beginning on or after 1 January 2007
[2] Effective for annual periods beginning on or after 1 January 2009
[3] Effective for annual periods beginning on or after 1 May 2006
[4] Effective for annual periods beginning on or after 1 June 2006
[5] Effective for annual periods beginning on or after 1 November 2006
[6] Effective for annual periods beginning on or after 1 March 2007
[7] Effective for annual periods beginning on or after 1 January 2008

3. 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, internet subscription, provision 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:

	2007 HK$'000	2006 HK$'000
Revenue		
Sales of newspapers	**775,029**	736,232
Sales of books and magazines	**269,108**	299,698
Newspapers advertising income	**1,389,839**	1,438,702
Books and magazines advertising income	**563,873**	602,424
Printing and reprographic services income	**215,966**	215,775
Internet subscription, content provision and advertising income	**31,348**	29,193
	3,245,163	3,322,024
Other income		
Sales of waste materials	**19,528**	18,850
Interest income on bank deposits	**17,371**	20,527
Rental income	**1,564**	1,628
Revaluation surplus of property, plant and equipment	–	7,009
Others	**2,909**	3,016
	41,372	51,030

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

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 2007

	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
CONSOLIDATED INCOME STATEMENT						
REVENUE						
External sales	2,277,702	832,981	103,132	31,348	–	3,245,163
Inter-segment sales	–	–	169,178	–	(169,178)	–
	2,277,702	832,981	272,310	31,348	(169,178)	3,245,163
Segment results	309,934	46,296	34,395	11,891	–	402,516
Unallocated expenses						(1,400)
Unallocated income						21,844
Finance costs						(9,384)
Profit before tax						413,576
Income tax expense						(71,163)
Profit for the year						342,413
CONSOLIDATED BALANCE SHEET						
Segment assets	2,904,734	560,109	255,824	9,052	–	3,729,719
Unallocated assets						871,708
Total assets						4,601,427
Segment liabilities	(273,273)	(165,278)	(53,655)	(9,213)	–	(501,419)
Unallocated liabilities						(743,185)
Total liabilities						(1,244,604)

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
CONSOLIDATED 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	312,128	115,050	55,513	13,295	–	495,986
Unallocated expense						(1,400)
Unallocated income						32,180
Finance costs						(11,484)
Profit before tax						515,282
Income tax expense						(74,516)
Profit for the year						440,766
CONSOLIDATED 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)

Geographical segments

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

	2007 HK$'000	2006 HK$'000
Hong Kong	**1,817,186**	1,977,477
Taiwan	**1,353,260**	1,250,805
North America	**43,714**	59,012
Europe	**23,483**	23,550
Australasia	**6,767**	10,140
Others	**753**	1,040
	3,245,163	3,322,024

The following is an analysis of the carrying amount of segment assets and capital expenditure analysed by the geographical area in which the assets are located:

	2007 Segment assets HK$'000	2007 Capital expenditure HK$'000	2006 Segment assets HK$'000	2006 Capital expenditure HK$'000
Hong Kong	**2,512,728**	**26,670**	2,600,420	69,010
Taiwan	**1,213,124**	**115,663**	1,199,776	15,226
North America	**3,867**	**41**	4,575	10
	3,729,719	**142,374**	3,804,771	84,246

5. FINANCE COSTS

	2007 HK$'000	2006 HK$'000
Interest expenses on bank borrowings wholly repayable within five years	**9,369**	11,484
Interest expense on finance lease	**15**	–
	9,384	11,484

6. INCOME TAX EXPENSE

	2007 HK$'000	2006 HK$'000
Current tax:		
Hong Kong	**75,145**	81,933
Taiwan	**3,047**	–
Other jurisdictions	**217**	318
Under (over) provision in prior years	**3,077**	(2,983)
	81,486	79,268
Deferred tax:		
Current year	**(10,323)**	(4,752)
	71,163	74,516

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

Taiwan Profits Tax is calculated at 22% of the estimated assessable profits for the current year.

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

7. DIVIDENDS

Dividends recognised as distribution during the year:

	2007 HK$'000	2006 HK$'000
Ordinary shares:		
Interim dividend, paid – HK4 cents (2006: HK5 cents) per share	**96,473**	74,528
Final dividend, paid – HK18 cents (2005: Nil) per share	**268,529**	–
Special dividend, paid-2006: HK25 cents (2005: Nil) per share	–	372,639
	365,002	447,167
Preference shares:		
Preference share dividend declared – Nil (2006: HK3.5 cents) per share	–	32,200
	365,002	479,367

The final dividend of HK8.5 cents (2006: HK18 cents) and a special dividend of HK9 cents (2006: HK25 cents) per ordinary share have 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:

Earnings	2007 HK$'000	2006 HK$'000
Profit for the year attributable to equity holders of the parent:		
Earnings for the purposes of basic earnings per share	**344,435**	440,766
Adjustment to dividend on preference shares	–	(32,200)
Earnings for the purposes of basic earnings per share	**344,435**	408,566
Effect of dilutive potential ordinary shares		
Adjustment to dividend on preference shares	–	32,200
Earnings for the purposes of diluted earning per share	**344,435**	440,766

Number of shares	2007	2006
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,940,435,057**	1,486,485,622
Share options	**1,968,396**	1,972,714
Convertible preference shares	**471,342,466**	920,000,000
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**2,413,745,919**	2,408,458,336

9. INTANGIBLE ASSETS

	Masthead and publishing rights HK$'000
COST	
At 1 April 2005, 31 March 2006 and 31 March 2007	1,482,799
ACCUMULATED IMPAIRMENT	
At 1 April 2005	136,918
Impairment loss recognised for the year	45,000
At 31 March 2006 and 31 March 2007	181,918
CARRYING VALUES	
At 31 March 2007	1,300,881
At 31 March 2006	1,300,881

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.

As at 31 March 2006, 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 one of the cash generating units ("CGUs") included in the books and magazines publication segment, Easy Finder I.P. Limited, the Directors of the Company identified an impairment loss in respect of masthead and publishing rights of approximately HK$45,000,000.

10. INVENTORIES

	2007 HK$'000	2006 HK$'000
Raw materials	**200,108**	212,990
Work in progress	**2,193**	634
Finished goods	**438**	429
	202,739	214,053

11. TRADE AND OTHER RECEIVABLES

	2007 HK$'000	2006 HK$'000
Trade receivables, net of allowance of approximately HK$52,207,000 (2006: HK$38,717,000)	**510,389**	501,421
Prepayments	**22,085**	49,497
Rental and other deposits	**21,318**	18,746
Others	**22,116**	22,960
Trade and other receivables	**575,908**	592,624

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

An analysis of the trade receivables of the Group by age is as follows:

	2007 HK$'000	2006 HK$'000
0 – 1 month	**238,372**	233,545
1 – 3 months	**232,882**	228,108
Over 3 months	**39,135**	39,768
	510,389	501,421

The Group's trade receivables that are denominated in currencies other than functional currencies of the respective group companies are set out below:

	2007 Denominated currency '000	2007 Equivalent to HK$'000	2006 Denominated currency '000	2006 Equivalent to HK$'000
United States Dollar ("USD")	**1,150**	**8,936**	1,067	8,323
Pound Sterling ("GPB")	**22**	**319**	15	198
Australian Dollar ("AUD")	**198**	**1,215**	362	2,083

12. TRADE AND OTHER PAYABLES

	2007 HK$'000	2006 HK$'000
Trade payables	**150,124**	151,164
Accrued charges *(Note)*	**335,576**	299,767
Trade and other payables	**485,700**	450,931

Note: The accrued charges include an amount of HK$85,238,000 (2006: HK$52,961,000) accrued for legal and professional expenses relating to a number of legal proceedings.

An analysis of the trade payables of the Group by age is as follows:

	2007 HK$'000	2006 HK$'000
0 – 1 month	**107,286**	112,562
1 – 3 months	**29,584**	26,517
Over 3 months	**13,254**	12,085
	150,124	151,164

The Group's trade payable that are denominated in currencies other than functional currencies of the respective group companies are set out below:

	2007 Denominated currency '000	2007 Equivalent to HK$'000	2006 Denominated currency '000	2006 Equivalent to HK$'000
United States Dollar ("USD")	**9,500**	**74,213**	8,526	66,220

13. BORROWINGS

An analysis of the secured bank loans of the Group is as follows:

	2007 HK$'000	2006 HK$'000
Carrying amount repayable		
– within one year	**127,186**	79,570
– in the second year	**140,149**	80,165
– in the third year	**81,203**	80,787
– in the fourth year	**64,000**	19,882
	412,538	260,404
Less: Amount due within one year shown under current liabilities	**(127,186)**	(79,570)
Non-current portion	**285,352**	180,834

All bank loans are variable-rate borrowings which carry interest ranging from one to three months Hong Kong Interbank Offered Rate plus 0.71875% and ranging from one month to two years fixed deposit rate of 2% to 2.255% plus 0.6% to 2.25% per annum (2006: ranging from one month to two years fixed deposit rate of 1.01% to 2.60% plus 0.6% to 2.25% per annum).

The effective interest rate of borrowing is 4.25% (2006: 3.54%) per annum.

MANAGEMENT DISCUSSION & ANALYSIS

OPERATIONAL REVIEW

Overview of Major Markets

Hong Kong

The Hong Kong economy continued to grow steadily in the year under review, although visible gains were largely confined to the rise of the stock market. Income levels remained stable, rather than dramatically improving, and the rising number of individual travellers from China did not result in a marked increase in tourist spending as hoped. Against this background, Hong Kong's print media industry further matured and the market became increasingly crowded. Keen competition on advertising rates, as well as wintry conditions later in the year, affected advertising sales and publishers were given little opportunity to increase their shares of the existing market, in terms of either readership or advertising revenue.

Nevertheless, Next Media remained as one of the largest Chinese-language print media conglomerates in Hong Kong. All its publications retained the market shares they have established over the last years.

The two major dailies including *Apple Daily*, continued to dominate the market. According to the 2006 Nielsen Media Index: Hong Kong Report (the "2006 Nielsen Report"), their combined readership of 2,920,000 accounted for 54.4 per cent of the total Hong Kong population aged 12 or over – a marginal decrease on their 2005 market share.

Apply Daily saw a 6.4 per cent increase in readership from mid-year 2006 and remained one of Hong Kong's bestselling newspapers in a highly competitive marketplace characterised by the launch of free dailies and cover price reductions. Despite the growth in the number of advertising media, such as event marketing, *Apple Daily's* advertising revenue just recorded a modest drop.

Next Magazine, *Sudden Weekly* and *Eat & Travel Weekly* (bundled with the newly launched *ME!* magazine as "*Sudden Weekly Bundle*") and *Easy Finder* and *Auto Express* and *Trading Express* ("*Easy Finder Bundle*") all held onto their leadership positions in their respective markets, meeting the challenge from other publications and the public's increasing interest in online media formats. The 2006 Nielsen Report revealed that these titles continued to be amongst the five most widely read weeklies in Hong Kong, and their combined readership of 2,130,000 accounted for 39.7 per cent of the population aged between 12 and 64. Next Media's titles also continued to attract a broad range of advertisers.

Taiwan

The people of Taiwan have developed a vibrant culture of openness, free information and enthusiastic debate over the years. The population of some 23 million is educated, widely travelled and affluent. Free speech and a free press are the cornerstones of Taiwan society.

Taiwan's print media, on the other hand, has long been constricted by conservatism, entrenched party or business loyalties, and individual vested interests. It was therefore no surprise when *Taiwan Next Magazine* burst upon the print media stage in 2001 and enlivened the market, nor when *Taiwan Apple Daily* followed suit in 2003. Their popular and unstuffy journalistic style and vibrantly colourful formats, tried and tested in Hong Kong but based on entirely Taiwanese content, have continued to make a marked impact on the general presentation of news and the standard of reporting on the island. No wonder that Taiwan's knowledge-conscious public has been so keen to embrace them.

According to AC Nielsen (Taiwan) Limited ("AC Nielsen Taiwan"), the island's four most widely read newspapers (*Taiwan Apple Daily*, *China Times*, *Liberty Times* and *United Daily*) enjoyed a combined daily readership of 8,591,000 in 2006. This represented 49.8 per cent of the population aged over 12.

Since its launch in 2003, *Taiwan Apple Daily* has surpassed the readership of other Taiwan dailies to become one of the island's most widely read newspapers. In terms of circulation it was just behind *Liberty Times* at 15.7 per cent in the last quarter of 2006, but in terms of readership over a seven-day span (the "pass on" rate), its 28.3 per cent of the market is some 3.5 per cent ahead of its nearest rival. This has particular significance in Taiwan, where circulation figures are likely to be amplified three times more by "pass on" over a weekly span than in Hong Kong.

Taiwan Next Magazine also continued to be significantly ahead of its nearest competitor. AC Nielsen Taiwan reported that it enjoyed an average weekly readership of 1,413,000 readers aged 12-65 in 2006, compared to the 641,000 readers of the second ranking title in the market.

Overall, the island's advertising spend decreased slightly in 2006, but the advertising, circulation and project income of *Taiwan Apple Daily* rose, while the advertising income of *Taiwan Next Magazine* remained steady and its project income rose. Despite the number of magazines in the market with specialised interest, *Taiwan Next Magazine* remained profitable while *Taiwan Apple Daily* embarked on its first full year of profitability. The result was that the Group's entire Taiwan operation was in the black for the full year.

Business Performance

The year ended 31 March 2007 was the fifth year since the Group acquired Database Gateway Limited and its subsidiaries in October 2001. The Group's turnover totalled HK$3,245.2 million, a slight decrease of 2.3 per cent on the previous financial year's figure of HK$3,322.0 million, which was mainly attributable to the trim down in turnover of the Books and Magazines Publication Division.

Newspapers Publication and Printing Division

The Group's Newspapers Publication and Printing Division once more generated the largest share of its turnover in 2006/07. Turnover rose to HK$2,277.7 million, an increase of 0.1 per cent on the figure of HK$2,275.0 million during the previous financial year.

Hong Kong Apple Daily

During 2006/07, *Apple Daily* continued to be the second most widely read newspaper in Hong Kong. It remained popular amongst those readers that the 2006 Nielsen Report concluded to be of higher quality than its nearest competitor in terms of education, personal income, household income and occupation. These readers, including a high percentage of the office-skilled, non-retired and employed, continued to be loyal to *Apple Daily* despite the competition of free dailies, discounted cover prices and the popularity of online media as a relatively new and easily accessible source of information and daily news.

The 2006 Nielsen Report confirmed that *Apple Daily* enjoyed an average daily readership of 1,275,000 people aged 12 and above, compared to a figure of 1,323,000 in 2005, a decrease of 3.6 per cent. This was due to a sharpening of competition in the market. However, the same report reveals that the end-year 2006 figure was a 6.4 per cent improvement on the average daily readership of 1,198,000 at mid-year 2006. These figures were in turn considerably more than the 691,000 average daily readership of the next most popular daily at end-year 2006.

During the year under review, *Apple Daily's* turnover was HK$1,047.3 million, a decrease of 9.8 per cent on the previous year's figure of HK$1,161.1 million. Of this, circulation sales income accounted for HK$395.8 million, a decrease of HK$26.9 million or 6.4 per cent compared to the previous year's figure of HK$422.7 million. Advertising declined by HK$86.9 million from HK$738.4 million in 2005/06 to HK$651.5 million in 2006/07.

In terms of readership profile, *Apple Daily* continued to be attractive, especially to the reasonably well off and better educated. Once more, the percentage of its readers whose monthly household incomes were between HK$20,000 and HK$40,000 was higher than any of its rivals, so too was the percentage of its readers in the skilled office worker and professional/managerial/executive category.

The newspaper is set to remain a major earnings driver for the Group in the future. The strong loyalty of its readers and their demographic and social backgrounds provide a key target audience for advertisers, who view the newspaper as a vital marketing medium for premier products and services in the Hong Kong and international market.

Taiwan Apple Daily

The arrival of *Taiwan Apple Daily* in May 2003 was like a new meteor in the firmament of the island's media industry. Over the years, despite a political and social culture that emphasised openness and debate, Taiwan's newspaper industry had petrified under a cloud of conservatism and monotony, with news and information presented in a dull black-and-white format that was light years behind the rest of Asia, and especially Hong Kong. The manner of distribution in Taiwan, which was (and is) mainly on a subscription basis, meant that readers simply took the newspaper they had always ordered and forgot there was a choice.

From the moment the first issue appeared, *Taiwan Apple Daily* was destined to inject new life into this moribund market. But vigorous, frank writing and a colourful, vivid format to match were not the only attractions for readers. *Taiwan Apple Daily* took a new route on distribution too. Almost all of its print run was sold in 24-hour convenience stores and other retail outlets, thereby capturing the attention of passers-by at all hours of day and night and ensuring they continued to buy a copy on a daily basis rather than waiting for a family member to pass on a well-thumbed subscription title.

During the year under review, *Taiwan Apple Daily* reinforced its evident popularity among the island's readers. It achieved an average daily readership of 2,574,000 readers a day in 2006, or 14.9 per cent of the market, according to data from AC Nielsen Taiwan. The same survey reported that *Taiwan Apple Daily* and its nearest rival, *Liberty Times*, represented together 67.3 per cent of the reading population. *Taiwan Apple Daily* continued to grow in popularity among readers of every content category, particularly political and social news, and of every educational level in both urban and rural areas. In October 2006, we launched the free *Sharp Daily* within the Taipei metropolitan area in order to capture younger readers and small, local advertisers, bolstering our brand and presence in the market.

This steady rise in readership was also reflected in the growth of *Taiwan Apple Daily*'s advertising income. Total advertising spending in Taiwan decreased slightly in 2006, but *Taiwan Apple Daily's* advertising income grew from HK$700.3 million to HK$738.3 million, a modest increase of 5.4 per cent.

As a result, *Taiwan Apple Daily's* financial performance has continued to strengthen, and it recorded a full-year profit of HK$69.4 million for the year ended 31 March 2007, compared to a profit of HK$1.2 million for the previous financial year. This encouraging performance underlines the Group's belief that *Taiwan Apple Daily* will become a major profit driver in the coming years.

Apple Daily Printing Limited

The Group's newspaper printing business performed steadily despite keen competition during the year. Revenue from all printing operations in Hong Kong during 2006/07 amounted to HK$394.4 million, a drop of 4.9 per cent on the previous year's figure of HK$414.8 million. In addition to offering a comprehensive range of printing services to the Group's own titles, Apple Daily Printing Limited also extended its portfolio of external customers. Excluding transactions with Next Media titles, the Division's turnover in the 2006/07 financial year was HK$111.2 million, a year-on-year increase of HK$12.1 million or 12.2 per cent on the previous year's figure of HK$99.1 million.

Books and Magazines Publication Division

The turnover of the Group's Books and Magazines Publication Division trimmed down to HK$833.0 million during the year under review, a decrease of 7.7 per cent from the previous year's figure of HK$902.1 million.

Hong Kong Next Magazine

Despite the intense competition in the market, the turnover and profitability of *Next Magazine* remained steady, allowing it to retain its status as No.2 in the Hong Kong weekly magazine market.

The 2006 Nielsen Report noted that the average weekly readership of *Next Magazine* among 12 to 64-year-olds increased to 544,000 from 527,000 during the preceding year, an increase of 17,000 or 3.2 per cent. By contrast, the HKABC reported a slight dip of 13,000 copies or 9.6 per cent in the number of copies sold, from 135,000 in the second half of 2005 to 122,000 in the same period of 2006.

Nevertheless, *Next Magazine's* attraction for both male and female readers with post-secondary/tertiary education continued unabated. The title reached a far higher percentage of such people than any other weekly. It therefore continued to have a strong appeal for advertisers as a necessary vehicle for them to sell their products and services to young, relatively affluent professionals and managers. In an intensely competitive market, *Next Magazine's* advertising revenue recorded a decrease of 8.2 per cent, from HK$191.2 million in the 2005/06 to HK$175.6 million in 2006/07.

Sudden Weekly Bundle

Clear positioning, a niche depth and appeal, and innovative marketing ensured that *Sudden Weekly Bundle* continued to exert a strong hold on the market as the most widely read magazine in Hong Kong. In December 2006, *ME!*, a new magazine targeted at upmarket female readers and office ladies, was launched and bundled with *Sudden Weekly Bundle*.

The result was a rise in readership, which during the year ended 31 December 2006, grew to 661,000 from 635,000, an increase of 4.1 per cent, according to the 2006 Nielsen Report. The same survey noted that 72.8 per cent of the magazine's readers were female; almost 74.1 per cent were in the 15 to 44 category; and 61.4 per cent had a monthly household income above HK$20,000. These figures are likely to increase after the inclusion of *ME!* in the bundle, which is printed on quality paper and has a clear up-market positioning.

The total revenue of *Sudden Weekly Bundle* stood at HK$210.1 million as compared to the preceding year's figure of HK$226.7 million. Due to intense market competition, its advertising revenue dropped to HK$139.3 million from the previous year's figure of HK$153.0 million, a decrease of 9.0 per cent. In view of the good response from advertisers to the inclusion of *ME!* in the bundle, the performance of *Sudden Weekly Bundle* promises well for the future.

Easy Finder Bundle

Considered one of the best guides to the coolest fashions and trends, especially for brand-conscious 15 to 24-year-olds, *Easy Finder Bundle* maintained its niche position as a leader among the most widely read weeklies in Hong Kong. It also continued to attract media planners targeting the aims and aspirations of this high-spending section of the market.

According to the 2006 Nielsen Report, the magazine had an average weekly readership of 366,000 for 12 to 64-year-olds in 2006, an increase of 52,000 or 16.6 per cent as compared to the 2005 figure of 314,000. Of these, 35.5 per cent were in the 15-24 age group. At the same time, the HKABC reported that sales in the second half of 2006 stood at a weekly average of 98,317 copies, compared to 92,445 copies in the same period of 2005, an increase of 5,872 copies or 6.4 per cent.

During 2006/07, the *Easy Finder Bundle's* combined sales and advertising revenue totalled HK$120.2 million, a fall of 16.5 per cent on the previous year's figure of HK$143.9 million.

Taiwan Next Magazine

The direct-speaking voice and engaging format of *Taiwan Next Magazine* have appealed to readers ever since the title came roaring off the press for the first time in 2001. Its reputation as the island's frankest, most fearless, most hotly debated and bestselling weekly was further bolstered by its deliberate cultivation of a paparazzi culture and its unconventional journalistic approach.

Data compiled by AC Nielsen Taiwan revealed that *Taiwan Next Magazine* was read by an average of 1,413,000 people in the 12-65 age group in 2006. The title managed to attract almost half the combined readership of all Taiwan's top five weekly magazines. Despite a slight drop in circulation, its readership continued to represent more than twice as many readers as its nearest rival. ROCABC figures for July-December 2006 showed that *Taiwan Next Magazine* sold an average of 129,107 copies a week, a slight decrease from the figure of 140,126 copies in the same period of the previous year.

Supported by a revenue model based on one-third cover price and two-thirds advertising revenue, advertising income for *Taiwan Next Magazine* amounted to HK$158.5 million, almost the same as the previous year's figure of HK$155.4 million. The title made a profit of HK$25.8 million, which was 44.6 per cent less than the previous year's figure of HK$46.6 million.

The dominant position of *Taiwan Next Magazine* in the local weekly magazine market is likely to continue to act as a business magnet for the island's top advertising agencies and advertisers. For this reason, and because of the more optimistic outlook for the advertising sector, the Group expects the title to maintain its position as one of the key drivers of profits in the coming years.

Books and Magazines Printing Division

The Books and Magazines Printing Division once more made a steady contribution to the Group's income during 2006/07. Its turnover totalled HK$272.3 million, a decrease of 11.1 per cent over the previous fiscal year's figure of HK$306.3 million. Of this amount, HK$169.2 million consisted of internal sales (some 60 per cent of the total business), while the value of its sales to external customers was HK$103.1 million, a decrease of 10.9 per cent on the previous year's figure of HK$115.7 million.

The Division's business was mainly driven by intense competition in the market from China printers, which meant that it had to compete largely on the basis of quality, benefiting from a steady stream of high-end clients in Hong Kong, North America, Europe and Australasia. The Group continues to believe that it will receive a stable flow of revenue from commercial printing operations in the future.

Internet Division

The Group's Internet Division offers an economical and convenient route for local and overseas readers to access online editions of their preferred Next Media publications.

During 2006/07, the Division's revenue increased to HK$31.3 million, a rise of 7.2 per cent over the previous year's figure of HK$29.2 million. Its segment profit dropped by 10.5 per cent, from HK$13.3 million to HK$11.9 million.

The Division's earnings derived from subscription fees, advertising revenue and content licensing. The Group believes that profits will continue to accrue from subscriptions, selling advertising space on the Internet and selling content to libraries etc.

Increasing numbers of advertisers now use online media as a significant marketing tool. The Group remains cautiously optimistic that it will be able to derive benefit from this demand, and is devoting more resources to its exploitation in the future.

FINANCIAL REVIEW

Consolidated Financial Results

Turnover

The Group recorded a total turnover of HK$3,245.2 million during the year ended 31 March 2007, representing 2.3 per cent or HK$76.8 million less than the figure of HK$3,322.0 million achieved in the last financial year. This was primarily attributable to the decrease in turnover of HK$69.1 million of the Group's Books and Magazines Publication Division, which accounted for HK$833.0 million or 25.7 per cent 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$1,817.2 million or 56.0 per cent of its total turnover in this financial year.

The turnover the Group derived from Taiwan increased slightly in this year, 8.2 per cent increase from HK$1,250.8 million to HK$1,353.3 million. Taiwan is now the Group's second-largest revenue earner, accounting for 41.7 per cent of the total, 4.0 per cent up from 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$2,277.7 million or 70.2 per cent of its total turnover. This was an increase of HK$2.7 million or 0.1 per cent on the figure of HK$2,275.0 million for the previous financial year.

The Books and Magazines Publication Division also performed steadily by generating HK$833.0 million or 25.7 per cent of the Group's total turnover. Meanwhile, the Internet Division contributed HK$31.3 million or 1.0 per cent of the total. These represented a decrease of 7.7 per cent and an increase of 7.2 per cent on their respective turnovers of HK$902.1 million and HK$29.2 million during the previous financial year.

EBITDA and Segment Results

The Group's Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) and before impairment loss in respect of intangible assets for the year ended 31 March 2007 amounted to HK$583.4 million. This represented a decrease of HK$136.9 million over the figure of HK$720.3 million achieved during the last financial year. The segmental result of Books and Magazines Publication and Printing activities declined from HK$170.6 million to HK$80.7 million, a drop of HK$89.9 million.

The Group recorded a segment profit of HK$402.5 million during the year under review, representing a drop of 18.9 per cent as compared to the segment profit of HK$496.0 million reported in last financial year.

The segment profit of the Group's Newspapers Publication and Printing Division during the 2006/07 financial year amounted to HK$309.9 million, representing a 0.7 per cent decrease over the previous year's figure of HK$312.1 million.

The Group's Books and Magazines Publication Division recorded a segment profit of HK$46.3 million, representing a decrease of 59.8 per cent on the previous year's figure of HK$115.1 million.

Operating Expenses

The Group's operating expenses during the 2006/07 financial year totalled HK$2,831.6 million. This represented an increase of HK$24.9 million or 0.9 per cent compared to the previous year's figure of HK$2,806.7 million. Of this amount, HK$2,029.0 million or 71.7 per cent was attributable to essential production costs, including paper. Personnel costs (excluding direct production staff costs) accounted for HK$385.6 million or 13.6 per cent of the total operating expenses. This represented an increase of HK$16.8 million or 4.6 per cent over the previous year's figures of HK$368.8 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$158.4 million or 5.6 per cent of the total amount.

Taxation

During the year ended 31 March 2007, the taxes levied on the Group amounted to HK$71.2 million, a decrease of 4.4 per cent compared to the previous year's figure of HK$74.5 million. The difference was mainly due to an additional deferred tax of HK$5.5 million credited to the consolidated income statement for the 2006/07 financial year.

FINANCIAL POSITION

Current Assets and Current Liabilities

As at 31 March 2007, the Group held HK$1,648.9 million in current assets, an increase of 11.0 per cent over the figure of HK$1,485.1 million in the last year. The Group's total liabilities on the same date were HK$1,244.6 million. This represented an increase of 14.7 per cent on the figure of HK$1,085.2 million a year earlier. The Group's bank balances and cash including restricted bank balances totalled HK$867.7 million as at 31 March 2007. The current ratio as at 31 March 2007 was 259.5 per cent, a decrease of 0.4 per cent, compared to the ratio of 260.6 per cent on the same date in 2006.

Accounts Receivable

As at 31 March 2007, the Group's accounts receivable totalled HK$510.4 million, an increase of 1.8 per cent over the figure of HK$501.4 million in last financial year. The average turnover days for the Group's accounts receivable as at 31 March 2007 was 56.9 days, compared to 52.1 days on the same date of the previous year.

Accounts Payable

As at 31 March 2007, the Group's accounts payable amounted to HK$150.1 million. This was 0.7 per cent less than the figure of HK$151.2 million on the same date of the previous financial year. The average turnover days for its accounts payable was 45.5 days, compared to 38.3 days on the same date of the previous year.

Long-term and Short-term Borrowings

As at 31 March 2007, the Group's long-term borrowings, including current portions, totalled HK$412.5 million. This represented an increase of 58.4 per cent on the figure of HK$260.4 million on the same date of the previous financial year. As at 31 March 2007, the current portion of the Group's long-term borrowings stood at HK$127.2 million, an increase of 59.8 per cent measured against the figure of HK$79.6 million a year earlier.

Borrowings and Gearing

The Group's primary source of financing for its operations during the 2006/07 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$621.2 million, of which HK$422.3 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 Hong Kong and New Taiwanese dollars. As at 31 March 2007, the Group's total bank balances including restricted bank balances and cash on hand amounted to HK$867.7 million. Its gearing ratio on the same date was 9.0 per cent, compared to 5.8 per cent a year earlier. The Group's gearing ratios are calculated by dividing long-term borrowings, including current portions, by total asset value.

Share Capital Structure

During the year, the Company issued 920,185,600 ordinary shares with a par value of HK$1.00 each ("Shares"). These were resulted from the exercise of certain share options by an option holder at an exercise price of HK$1.67 per Share and the conversion of 920,000,000 preference shares with a par value of HK$1.75 each into 920,000,000 Shares.

As at 31 March 2007, the Company's total issued share capital was HK$2,411.8 million. This figure was made up of 2,411,828,881 Shares with a par value of HK$1.00 each.

Cash Flow

The Group's net cash inflow from operating activities during the year ended 31 March 2007 amounted to HK$544.2 million, whereas its cash inflow from operating activities in last year was HK$559.7 million.

The outflow of investment-related cash during the 2006/07 financial year totalled HK$100.7 million. This figure represented an increase of 32.7 per cent on the total amount of HK$75.9 million during the previous financial year.

The Group's net cash outflow for financing activities during the year reached HK$251.5 million, compared to the preceding year's net cash outflow figure of HK$398.5 million. The 2006/07 figure mainly represented dividends paid in a total of HK$397.2 million, repayment of bank borrowings of HK$84.7 million and new borrowings raised amounting to HK$240.0 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 2007, the Group's net currency exposure stood at NT$4,737.0 million (the equivalent of HK$1,118.5 million) an increase of 33.1 per cent on the figure of NT$3,560.2 million (the equivalent of HK$850.9 million) a year earlier. 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 2006/07 financial year totalled HK$142.4 million, of which HK$115.7 million was used to fund its operations in Taiwan. By the year-end, it had committed to further capital expenditure of HK$8.9 million on its operations, of which HK$1.8 million was to fund its operations in Taiwan.

Pledge of Assets

As at 31 March 2007, 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$981.9 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. UDL Contracting Limited has recently filed a separate legal action with the High Court against Apple Daily Printing Limited and Mr. Lai Chee Ying, Jimmy ("Mr. Lai") in respect of the above claim.

When Next Media acquired Database Gateway Limited in October 2001 (the "Acquisition"), Mr. Lai agreed to provide unlimited personal indemnities (the "Indemnity") to the Group. This Indemnity will help safeguard the Group against all payments, claims, suits, damages and settlement payments and associated costs and expenses arising as a result of certain legal proceedings (including the dispute with UDL 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 that 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 2007, these contingent liabilities stood at HK$70.3 million.

Impairment Loss in respect of Intangible Assets

In light of the current accounting standards, particularly, HKAS 38 in respect of the valuation of intangible assets, the Board appointed an independent professional valuer to conduct a valuation of the Group's mastheads and publishing rights as at 31 March 2007 based on the value-in-use approach.

According to the valuation report, the value of the Group's mastheads and publishing rights as at 31 March 2007 was HK$2,119.9 million (31 March 2006: HK$1,525.5 million, excluding mastheads and publishing rights of *Easy Finder* of HK$15.5 million) against the corresponding net book value of HK$1,300.9 million as at 31 March 2007 (31 March 2006: HK$1,300.9 million after an impairment loss of HK$45.0 million for *Easy Finder*). Accordingly, a net revaluation surplus of HK$819.0 million as at 31 March 2007 (31 March 2006: HK$195.1 million) arose on a Group basis, which comprised a revaluation surplus of HK$832.7 million as at 31 March 2007 (31 March 2006: HK$224.6 million) and a revaluation deficit of HK$13.7 million as at 31 March 2007 (31 March 2006: HK$29.5 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 of HK$13.7 million was temporary in nature, no impairment loss should be recognised in the consolidated income statement for the year ended 31 March 2007 (for the year ended 31 March 2006: HK$45.0 million was recognised).

No adjustment was made to the Group's financial statements for those mastheads and publishing rights with revaluation surplus amounting to HK$832.7 million as at 31 March 2007 (31 March 2006: HK$224.6 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 continues to be Hong Kong's largest Chinese-language print media publisher. Each of the titles in the Group's portfolio – *Apple Daily*, *Next Magazine*, *Easy Finder Bundle*, and *Sudden Weekly Bundle* – have retained a leading position in their respective markets, despite fierce competition and the challenge of online media formats. The Group is convinced that these titles will be steady drivers of income in the coming years, and that their advertising revenues will grow in line with the progressive development of the Hong Kong economy. The Group aims to support this steady growth with a renewed focus on costs, productivity and efficiency.

Meanwhile, Taiwan's economy is forecast to show further improvement in the run-up to the presidential elections and following the credit card squeeze. The Group maintains its high confidence in the success of its Taiwan operations, which are predicted to contribute an increasingly larger percentage of revenue to its future income. This belief is founded on Taiwan's political and economic stability, as well as the ongoing successes of *Taiwan Next Magazine* and *Taiwan Apple Daily*, both of which continue to build on their leadership status in the island's print media industry.

The Group believes that since the market for both newspapers and magazines is still underdeveloped in Taiwan, there is still a good deal of potential to be exploited from its already successful publications there. In order to sharpening its competitive edge and bolstering its brand in Taiwan, the Group launched the free *Sharp Daily* in October 2006.

EMPLOYEES RELATIONS

As at 31 March 2007, Next Media employed a total of 3,499 people in Hong Kong, Taiwan and Canada. Of this workforce, the frontline journalists and photographers are just the tip of the iceberg. Thousands of backroom staff work around the clock to ensure that articles and photographs reach our readers in time.

Being a responsible and distinguished employer, Next Media aims to recruit and retain the best and brightest talents in the industry. We have always been an equal opportunities employer. Our recruitment policy is non-discriminatory; staff members are appointed purely on the basis of their relevant skills and experiences. Moreover, we treats our staff members with respect and reward 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$1,058.1 million, an increase of 6.7 percent on the previous year's figure of HK$991.7 million.

DIVIDENDS

The Directors recommend the payment of a final dividend of HK8.5 cents (2006: HK18 cents) and a special dividend of HK9 cents (2006: HK25 cents) per Share to the shareholders whose names appear on the register of members on Monday, 30 July 2007, which together with the interim dividend per Share will amount to a total of HK21.5 cents per Share (the interim, final and special dividends for 2006: HK48 cents). The proposed final and special dividends, if approved by the shareholders at the forthcoming annual general meeting to be held on Monday, 30 July 2007, will be paid on Friday, 10 August 2007.

BOOK CLOSE PERIOD

The Register of Members of the Company will be closed from Thursday, 26 July 2007 to Monday, 30 July 2007, both days inclusive, during which period no transfer of Shares will be effected. All transfers of Shares accompanied by relevant 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 Wednesday, 25 July 2007 so as to qualify for the final and special dividends. Dividend warrants will be despatched on or around Friday, 10 August 2007.

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 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. Working closely with the external auditors, the Committee reviewed the audited consolidated results for the year ended 31 March 2007 and 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 Committee and highlighted any significant issues.

CORPORATE GOVERNANCE

During the year ended 31 March 2007, Next Media achieved full compliance with the applicable provisions of the CG Code with deviations from the following provisions:

CG Code provision A.2.1

Pursuant to A.2.1 of the CG Code, the roles of Chairman and Chief Executive Officers ("CEO") should be separate and should not be performed by the same individual.

Mr. Lai has assumed the role of Executive Chairman to lead the Executive Directors and management team to pursue the strategies and directions of the Group. In compliance with this provision, on 15 January 2007, Mr. Ting Ka Yu, Stephen has been appointed as CEO of the Group. The role and responsibilities of the Mr. Lai, the Chairman and Mr. Ting Ka Yu, Stephen, CEO of the Group, are set out in the section headed "Chairman and CEO" in the 2006/07 annual report.

CG Code provision E.1.2

Pursuant to CG Code provision E.2.1, 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 19 July 2006. 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

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 2007.

By order of the Board
Ting Ka Yu, Stephen
Director

Hong Kong, 18 June 2007

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.