

# NEXTmedia

## NEXT MEDIA LIMITED

(a company incorporated in Hong Kong with limited liability)

(Stock Code: 282)

### ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

#### GROUP FINANCIAL HIGHLIGHTS

	(Unaudited) Six months ended 30 September	
	2004 HK\$'000	2003 HK\$'000
<b>Results</b>		
Turnover	1,440,224	1,138,374
Earnings before interest, tax, depreciation and amortisation	253,369	36,092
Operating profit (loss)	135,428	(75,986)
Profit (loss) for the period	91,032	(109,124)
Basic earnings (loss) per share	6.1 cents	(8.1 cents)
Diluted earnings per share	3.8 cents	N/A
	(Unaudited) As at 30 September 2004 HK\$'000	(Audited) As at 31 March 2004 HK\$'000
<b>Balance Sheet</b>		
Current assets	1,190,337	983,097
Non-current assets	3,310,422	3,439,609
Total assets	4,500,759	4,422,706
Current liabilities	535,971	483,465
Non-current liabilities	571,085	612,240
Minority interests	2,060	2,000
Total liabilities	1,109,116	1,097,705
Net assets	3,391,643	3,325,001

	(Unaudited) As at 30 September 2004 HK\$'000	(Audited) As at 31 March 2004 HK\$'000
<b>Ratio Analysis</b>		
Current ratio	222.1%	203.3%
Quick ratio	194.4%	176.7%
Gearing ratio	5.9%	6.7%

The Board of Directors of Next Media Limited (the “Company”) is pleased to announce the unaudited interim results for the six months ended 30 September 2004 of the Company and its subsidiaries (the “Group”). The interim results have been reviewed by the Company’s audit committee and the Company’s auditors.

### CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

		(Unaudited)	
		Six months ended	
		30 September	
		2004	2003
	Notes	HK\$'000	HK\$'000
Turnover	3	1,440,224	1,138,374
Production costs		<u>(903,464)</u>	<u>(789,796)</u>
Gross profit		536,760	348,578
Other revenues	3	13,445	12,131
Administrative expenses		<u>(414,777)</u>	<u>(436,695)</u>
Operating profit (loss)	5	135,428	(75,986)
Finance costs	6	<u>(2,850)</u>	<u>(4,181)</u>
Profit (loss) before taxation		132,578	(80,167)
Taxation	7	<u>(41,546)</u>	<u>(28,846)</u>
Profit (loss) after taxation		91,032	(109,013)
Minority interests		–	(111)
Profit (loss) for the period		<u>91,032</u>	<u>(109,124)</u>
Earnings (loss) per share	8		
– Basic		<u>6.1 cents</u>	<u>(8.1 cents)</u>
– Diluted		<u>3.8 cents</u>	<u>N/A</u>

**CONDENSED CONSOLIDATED BALANCE SHEET**

AS AT 30 SEPTEMBER 2004 AND 31 MARCH 2004

		(Unaudited) 30 September 2004	(Audited) 31 March 2004
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current Assets			
Intangible assets		1,528,568	1,574,338
Fixed assets		1,776,780	1,856,620
Interests in associate companies		(830)	(830)
Deferred tax assets		5,904	9,481
		<u>3,310,422</u>	<u>3,439,609</u>
Current Assets			
Inventories		148,260	128,977
Accounts receivable, deposits and prepayments	9	513,814	480,497
Bank balances and cash		528,263	373,623
		<u>1,190,337</u>	<u>983,097</u>
Current Liabilities			
Accounts payable and accrued charges	10	431,283	398,431
Current portion of long-term liabilities		60,501	60,636
Taxation payable		44,187	24,398
		<u>535,971</u>	<u>483,465</u>
Net Current Assets		<u>654,366</u>	<u>499,632</u>
Total Assets Less Current Liabilities		<u>3,964,788</u>	<u>3,939,241</u>
Non-current Liabilities			
Long-term liabilities		203,667	235,758
Pensions obligations		15,653	13,935
Deferred tax liabilities		351,765	362,547
		<u>571,085</u>	<u>612,240</u>
Minority Interests		2,060	2,000
Net Assets		<u>3,391,643</u>	<u>3,325,001</u>
Capital and Reserves			
Share capital		3,090,675	3,088,635
Reserves		300,968	236,366
Shareholders' Funds		<u>3,391,643</u>	<u>3,325,001</u>

## NOTES TO CONDENSED INTERIM FINANCIAL ACCOUNTS

1. **Basis of Preparation**

The unaudited condensed consolidated interim financial accounts (the “interim financial accounts”) have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Statement of Standard Accounting Practice No. 25 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

2. **Principal Accounting Policies**

The interim financial accounts have been prepared under the historical cost convention, as modified for the revaluation of certain properties.

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual accounts for the year ended 31 March 2004.

3. **Turnover and Revenues**

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 websites. Revenues recognised during the period are as follows:

	<b>Six months ended 30 September</b>	
	<b>2004</b>	2003
	<b><i>HKS'000</i></b>	<i>HKS'000</i>
Turnover		
Sales of newspapers	<b>325,909</b>	263,203
Sales of books and magazines	<b>155,958</b>	161,252
Newspapers advertising income	<b>569,797</b>	419,612
Books and magazines advertising income	<b>287,859</b>	217,993
Printing and reprographic service income	<b>89,115</b>	66,714
Internet content provision and advertising income	<b>11,586</b>	9,600
	<b><u>1,440,224</u></b>	<u>1,138,374</u>
Other revenues		
Sales of waste materials	<b>9,575</b>	8,482
Interest income on bank deposits	<b>1,619</b>	1,644
Rental income	<b>923</b>	1,002
Others	<b>1,328</b>	1,003
	<b><u>13,445</u></b>	<u>12,131</u>
Total revenues	<b><u>1,453,669</u></b>	<u>1,150,505</u>

4. **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:

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

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

NEXT MEDIA LIMITED

Six months ended 30 September 2004

	Newspapers publication and printing <i>HK\$'000</i>	Books and magazines publication <i>HK\$'000</i>	Books and magazines printing <i>HK\$'000</i>	Internet content provision and advertising <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>TURNOVER</b>						
External sales	925,885	443,817	58,936	11,586	-	1,440,224
Inter-segment sales	-	54	87,539	-	(87,593)	-
	<u>925,885</u>	<u>443,871</u>	<u>146,475</u>	<u>11,586</u>	<u>(87,593)</u>	<u>1,440,224</u>
<b>RESULTS</b>						
Segment results	<u>17,451</u>	<u>77,036</u>	<u>22,010</u>	<u>5,486</u>	-	121,983
Other revenues						13,445
Operating profit						135,428
Finance costs						(2,850)
Profit before taxation						132,578
Taxation						(41,546)
Profit for the period						<u>91,032</u>

Six months ended 30 September 2003

	Newspapers publication and printing <i>HK\$'000</i>	Books and magazines publication <i>HK\$'000</i>	Books and magazines printing <i>HK\$'000</i>	Internet content provision and advertising <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>TURNOVER</b>						
External sales	694,931	379,242	54,601	9,600	-	1,138,374
Inter-segment sales	-	23	78,189	34	(78,246)	-
	<u>694,931</u>	<u>379,265</u>	<u>132,790</u>	<u>9,634</u>	<u>(78,246)</u>	<u>1,138,374</u>
<b>RESULTS</b>						
Segment results	<u>(153,805)</u>	<u>39,566</u>	<u>22,195</u>	<u>3,927</u>	-	(88,117)
Other revenues						12,131
Operating loss						(75,986)
Finance costs						(4,181)
Loss before taxation						(80,167)
Taxation						(28,846)
Loss after taxation						(109,013)
Minority interests						(111)
Loss for the period						<u>(109,124)</u>

Secondary reporting format – geographical segments

	Six months ended 30 September 2004		Six months ended 30 September 2003	
	Turnover <i>HK\$'000</i>	Segment results <i>HK\$'000</i>	Turnover <i>HK\$'000</i>	Segment results <i>HK\$'000</i>
Hong Kong	978,087	217,958	921,914	227,526
Taiwan	414,010	(115,869)	173,570	(334,581)
North America	33,117	12,395	27,448	10,835
Europe	11,451	5,626	12,482	6,544
Australasia	3,559	1,873	2,960	1,559
	<u>1,440,224</u>	<u>121,983</u>	<u>1,138,374</u>	<u>(88,117)</u>
Other revenues		13,445		12,131
Operating profit (loss)		<u>135,428</u>		<u>(75,986)</u>

5. Operating Profit (Loss)

	Six months ended 30 September	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Operating profit (loss) has been arrived at after charging the following:		
Cost of raw materials consumed in production	534,897	421,680
Allowance for bad and doubtful debts	9,092	4,915
Operating lease expenses on:		
Properties	3,050	3,361
Other assets	5,508	5,172
Depreciation of fixed assets	72,171	66,420
Amortisation of intangible assets (included in administrative expenses)	45,770	45,769
and after crediting the following:		
Gain on disposal of fixed assets	<u>43</u>	<u>107</u>

6. Finance Costs

	Six months ended 30 September	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Interest expenses on:		
Bank borrowings wholly repayable within five year	2,204	2,752
Other bank borrowings	646	1,525
	<u>2,850</u>	<u>4,277</u>
Less: Interest capitalised in fixed assets	-	(96)
	<u>2,850</u>	<u>4,181</u>

## 7. Taxation

	Six months ended 30 September	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
The charge (credit) comprises:		
Current tax:		
Hong Kong	48,752	50,384
Other jurisdiction	—	192
	<u>48,752</u>	<u>50,576</u>
Deferred tax:		
Current period	(7,206)	(21,730)
	<u>41,546</u>	<u>28,846</u>

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

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

## 8. Earnings (Loss) Per Share

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

	Six months ended 30 September	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Profit (loss) for the period:		
Earnings (loss) for the purposes of basic and diluted earnings (loss) per share	<u>91,032</u>	<u>(109,124)</u>
	<b>No. of shares</b>	<b>No. of shares</b>
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	1,480,405,853	1,343,897,287
Share options	6,293,333	7,012,779
Convertible preference shares	<u>920,000,000</u>	<u>920,000,000</u>
Weighted average number of ordinary shares for the purposes of diluted earnings (loss) per share	<u>2,406,699,186</u>	<u>2,270,910,066</u>

No diluted loss per share had been presented for the six months ended 30 September 2003 as the exercise of conversion rights attached to the preference shares and the exercise of the share options would be anti-dilutive.

**9. Accounts Receivable, Deposits and Prepayments**

	<b>30 September 2004 HK\$'000</b>	31 March 2004 HK\$'000
Accounts receivable, net	442,998	409,809
Prepayments	44,343	55,738
Rental and other deposits	8,600	2,791
Deposits for the acquisition of fixed assets	1,721	3,626
Others	16,152	8,533
	<u>513,814</u>	<u>480,497</u>

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:

	<b>30 September 2004 HK\$'000</b>	31 March 2004 HK\$'000
0 – 1 month	190,415	159,145
1 – 3 months	211,907	170,838
Over 3 months	80,822	112,470
	<u>483,144</u>	<u>442,453</u>
Less: Allowance for bad and doubtful debts	(40,146)	(32,644)
	<u>442,998</u>	<u>409,809</u>

**10. Accounts Payable and Accrued Charges**

	<b>30 September 2004 HK\$'000</b>	31 March 2004 HK\$'000
Accounts payable	101,903	97,405
Accrued charges	329,380	301,026
	<u>431,283</u>	<u>398,431</u>

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

	<b>30 September 2004 HK\$'000</b>	31 March 2004 HK\$'000
0 – 1 month	57,379	58,825
1 – 3 months	31,280	26,754
Over 3 months	13,244	11,826
	<u>101,903</u>	<u>97,405</u>



## MANAGEMENT DISCUSSION & ANALYSIS

### FINANCIAL RESULTS

For the six months ended 30 September 2004, the Group achieved an unaudited consolidated profit of approximately HK\$91.0 million, as compared to an unaudited consolidated loss of approximately HK\$109.1 million for the same period in 2003. The successful turnaround was mainly attributable to the improved results of *Taiwan Apple Daily*. The Group's earnings before interest, tax, depreciation and amortisation reached approximately HK\$253.4 million, an increase of around 601.9% over approximately HK\$36.1 million in the corresponding period last year. Basic earnings per share were HK\$6.1 cents, against the basic loss per share of HK\$8.1 cents.

The Group's turnover increased by approximately HK\$301.8 million, from approximately HK\$1,138.4 million to approximately HK\$1,440.2 million, representing an increase of around 26.5%. Such a substantial increase in turnover was mainly attributable to the significant improvement in both circulation and advertising sales of *Taiwan Apple Daily* as well as the increase in turnover from advertising from the magazines published by the Group.

The turnover of *Taiwan Apple Daily* increased by approximately HK\$215.0 million, from approximately HK\$90.3 million to approximately HK\$305.3 million, representing an increase of around 238.1%. The retail price maintained at NT\$10 since 1 June 2003. Sales of newspapers increased by approximately HK\$64.4 million. As a result of the increase in the number of advertising pages and average advertising page rate, newspaper advertising income increased by approximately HK\$150.6 million.

The turnover from magazines increased by approximately HK\$64.5 million from approximately HK\$379.3 million to approximately HK\$443.8 million, representing an increase of around 17.0%. Such increase mainly came from additional advertising income from *Taiwan Next Magazine*, *Easy Finder with Eat & Travel Weekly (the "Easy Finder Bundle")* and *Sudden Weekly with Eat & Travel Weekly (the "Sudden Weekly Bundle")*.

With regards to the Group's total turnover, an amount of approximately HK\$925.9 million, or around 64.3% of the total turnover, came from its Newspaper Publication and Printing Division, while approximately HK\$443.8 million, or 30.8% of the total turnover came from Books and Magazines Publication Division. 4.1% of the total turnover or approximately HK\$58.9 million came from Books and Magazines Printing Division after elimination of inter-segment transactions and approximately HK\$11.6 million or 0.8% came from Internet Division.

The profit from the Group's major business segments for the six months ended 30 September 2004, was about HK\$122.0 million. Newspaper Publication and Printing Division contributed a segment profit of approximately HK\$17.5 million while Books and Magazines Publication Division contributed a segment profit of approximately HK\$77.0 million. The Books and Magazines Printing Division generated a segment profit of approximately HK\$22.0 million and Internet Division generated a segment profit of approximately HK\$5.5 million.

### BUSINESS REVIEW

#### Newspaper Publication and Printing Division

Turnover from its Newspaper Publication and Printing Division was mainly attributable to *Apple Daily* and *Taiwan Apple Daily*.

As per the circulation audits conducted by the Hong Kong Audit Bureau of Circulation (the “HKABC”), for the six months ended 30 June 2004, *Apple Daily* recorded an average daily circulation of approximately 347,379 copies. According to the 2004 ACNielsen Hong Kong Media Index Mid-Year Report (the “2004 ACNielsen Mid-Year Report”), *Apple Daily* maintained an average readership of approximately 1,431,000 for the twelve months ended 30 June 2004 as compared to an average readership of approximately 1,400,000 over the corresponding period last year. During the period under review, *Apple Daily* experienced a slight decline in advertising revenue, resulting from fierce market competition.

In accordance with the newspaper circulation audit reports issued by The Audit Bureau of Circulations, R.O.C. (the “ROABC”), *Taiwan Apple Daily* recorded a total circulation of 82,172,245 copies during the six months ended 30 June 2004, giving an average daily circulation of approximately 451,496 copies while it recorded a total circulation of 61,110,331 copies from 2 May 2003 to 30 September 2003, giving an average daily circulation of approximately 402,041 copies, representing an increase of around 12.3%. This increase in circulation not only demonstrated *Taiwan Apple Daily*’s successful establishment of a stronghold in the territory but also represented the continual broadening of its reader base. During the period under review, the increase in the number of advertising pages and average advertising rate per page, boosted advertising income by approximately 266.1%, compared to the corresponding period last year. The Directors believe, *Taiwan Apple Daily* with its fast-growing readership and circulation, has much room for future growth, especially from its run of page advertising.

#### **Books and Magazines Publication Division**

The Books and Magazines Publication Division experienced a noticeable increase of around 17.0% in turnover from approximately HK\$379.3 million to approximately HK\$443.8 million compared to the corresponding period in 2003. Such increase was mainly attributable to the increase of advertising income from *Taiwan Next Magazine*, *Easy Finder Bundle* and *Sudden Weekly Bundle*.

*Next Magazine*, the leading weekly magazine, capturing recognition from a wide spectrum of readers, generated approximately HK\$147.7 million in revenue during the period under review, as compared to approximately HK\$140.7 million in the previous year.

According to the 2004 ACNielsen Mid-Year Report, *Next Magazine*, with an average readership of approximately 509,000 for the twelve months ended 30 June 2004, maintained its second position in terms of readership amongst all weekly magazines in Hong Kong, representing an increase of around 9.7% as compared to the average readership of approximately 464,000 over the corresponding period last year. According to HKABC, it recorded an average weekly circulation of approximately 143,356 copies during the six months ended 30 June 2004.

*Sudden Weekly Bundle*, the most favourable weekly magazine for female readers, generated approximately HK\$116.9 million in revenue as compared to approximately HK\$103.5 million for the corresponding period last year. According to the 2004 ACNielsen Mid-Year Report, *Sudden Weekly Bundle*, with an average readership of approximately 611,000 for the twelve months ended 30 June 2004, maintained its first position amongst all weekly magazines in terms of readership in Hong Kong, representing an increase of around 13.8% as compared to the average readership of approximately 537,000 over the corresponding period last year. It recorded an average weekly circulation of approximately 197,055 copies for the six months ended 30 June 2004.

*Easy Finder Bundle*, the most popular infotainment weekly magazine amongst youngsters, generated approximately HK\$69.7 million in revenue as compared to approximately HK\$51.3 million for the corresponding period last year. According to the 2004 ACNielsen Mid-Year Report, *Easy Finder Bundle*, with an average readership of approximately 332,000 for the twelve months ended 30 June 2004 maintained its third position amongst all weekly magazines in terms of readership in Hong Kong, representing an increase of around 11.4% as compared to an average readership of approximately 298,000 over the corresponding period last year. It had an average weekly circulation of approximately 106,870 copies for the six months ended 30 June 2004.

*Taiwan Next Magazine* generated approximately HK\$108.7 million in revenue, representing an increase of approximately HK\$25.7 million, or 31.0% when compared to the corresponding period in the previous year. According to information from ACNielsen (Taiwan) Limited, *Taiwan Next Magazine*, had an average readership of approximately 1,648,000 for the six months ended 30 June 2004, whereas its average readership for the same period last year was approximately 1,528,000. Since its inception in 2001, *Taiwan Next Magazine* was able to maintain its number one position in terms of readership in Taiwan. *Taiwan Next Magazine's* total circulation for the six months ended 30 June 2004, as audited by ROCABC, was 3,620,695, giving an average weekly circulation of approximately 139,258 copies.

#### **Books and Magazines Printing Division**

During the period under review, the Group's Books and Magazines Printing Division continued to complement its publishing business by contributing a turnover of approximately HK\$146.5 million, before the elimination of inter-segment transactions of approximately HK\$87.6 million, representing a growth of around 10.3% compared to approximately HK\$132.8 million in 2003.

This division enjoys a reputation for good print quality in the industry. Apart from providing printing services to the Group's publication business, it also provides commercial printing services for external customers from Hong Kong, Taiwan, North America, Europe and Australasia. During the period under review, this division contributed a revenue of approximately HK\$58.9 million, as compared to approximately HK\$54.6 million for the same period last year, representing an increase of around 7.9%. Given the high level of reliability and consistency in print quality, the Directors believe, the commercial printing division will continue to provide a steady income stream for the Group.

#### **Internet Division**

During the period under review, the results from Internet Division were very encouraging. It recorded a turnover of approximately HK\$11.6 million, an increase of approximately HK\$2.0 million or 20.8% as compared to approximately HK\$9.6 million for the same period last year. The increase in its advertising revenue and the growth of its overseas subscriber base, led to the substantial increase in segment profit from approximately HK\$3.9 million last year to approximately HK\$5.5 million for the six months ended 30 September 2004, an increase of almost 41.0%.

## **LIQUIDITY AND FINANCIAL RESOURCES**

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

The banking facilities include a HK\$300.0 million syndicated loan facility from a syndicate of seven banks, arranged by Sumitomo Mitsui Banking Corporation and offered to Apple Daily Limited. The outstanding loan balance as at 30 September 2004 amounted to approximately HK\$170.0 million.

As at 30 September 2004, the Group had available banking facilities totalling approximately HK\$565.9 million, of which approximately HK\$267.9 million had been utilised. All bank borrowings bear interest at floating rates. There is no seasonality for borrowing requirements. The Group's bank borrowings were mainly denominated in Hong Kong Dollars and New Taiwanese Dollars.

As at 30 September 2004, the Group had approximately HK\$528.3 million in bank balances and cash. The current ratio as at 30 September 2004 was 222.1% compared to 203.3% as at 31 March 2004. The gearing ratio, calculated by dividing long-term liabilities including current portions by total asset value, of the Group as at 30 September 2004 was 5.9%, compared to 6.7% as at 31 March 2004.

## **ASSETS PLEDGED**

As at 30 September 2004, the Group had pledged its properties in Hong Kong and Taiwan and certain printing equipment with an aggregate net book value of approximately HK\$998.2 million, to various banks as security for bank loans and for general banking facilities granted to the Group.

## **EXCHANGE EXPOSURE AND CAPITAL EXPENDITURE**

The Group's assets and liabilities are mainly denominated either in Hong Kong Dollars or New Taiwanese Dollars. The Group has exchange exposure to New Taiwanese Dollars due to its existing magazine and newspaper publishing businesses in Taiwan.

It is the Group's strategy to reduce exchange rate exposure by arranging local currency bank loans. The Group's net currency exposure as at 30 September 2004 was approximately NT\$4,588.4 million (approximately HK\$1,052.9 million). The Group will closely monitor the overall currency exposure and, when considered appropriate, will hedge against such exposure.

During the six months ended 30 September 2004, the Group's capital expenditure amounted to approximately HK\$17.8 million, including approximately HK\$5.8 million for its Taiwan operations. As at 30 September 2004, the capital expenditure committed for its operations amounted to approximately HK\$9.6 million, including approximately HK\$4.0 million for its Taiwan operations.

## **SHARE CAPITAL STRUCTURE**

During the period under review, as a result of the exercise of certain share options by option holders, 2,040,305 ordinary shares with a par value of HK\$1.00 each were issued by the Company. Of the 2,040,305 ordinary shares, 1,958,800 ordinary shares were issued at an exercise price of HK\$1.67 per share and 81,505 ordinary shares were issued at an exercise price of HK\$1.00 per share.

As at 30 September 2004, the total issued share capital of the Company was HK\$3,090,674,881 divided into 1,480,674,881 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.

## **CONTINGENT LIABILITIES**

As at 30 September 2004, the Group had contingent liabilities in respect of a number of litigation proceedings in Hong Kong and Taiwan, arising from its publishing business. In addition, the Group had a dispute with UDL Contracting Limited - the contractor assigned for the construction of the printing facility of a subsidiary, namely Apple Daily Printing Limited, over amounts payable in respect to the construction of the printing facility in Tseung Kwan O, currently under arbitration. The final outcome of these proceedings is uncertain.

In connection with the acquisition of Database Gateway Limited in October 2001 (the "Acquisition"), Mr. Lai Chee Ying, Jimmy ("Mr. Lai") has undertaken to provide unlimited personal indemnities (the "Indemnity") to the Group against all payments, claims, suits, damages and settlement payments and associated costs and expenses in relation to certain legal proceedings (including the dispute with UDL Contracting Limited) involving the businesses acquired through the Acquisition. In relation to the Indemnity, Mr. Lai has procured a bank guarantee of HK\$60,000,000 in favour of the Group in respect of his obligations under the Indemnity. Having taken into consideration the advice of the Group's legal counsel and the Indemnity given by Mr. Lai, the Directors are of the opinion that any ultimate liability under these proceedings will not have a material impact on the financial position of the Group.

As at 30 September 2004, the Company had contingent liabilities in relation to corporate guarantees, given by the Company, to financial institutions for facilities utilised by certain subsidiaries of the Company, amounting to approximately HK\$196.6 million.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 September 2004, the Group employed a total of 3,246 employees, of whom 1,790 employees were in Hong Kong, 1,448 employees were in Taiwan and 8 employees were in Canada. There are no material changes to the policies relating to employee remuneration, bonuses, share options schemes and staff development as disclosed in the 2003/04 annual report. Total staff cost for the six months ended 30 September 2004 amounted to approximately HK\$457.2 million (for the six months ended 30 September 2003: approximately HK\$454.4 million).

## **INTERIM DIVIDEND**

The Directors have resolved not to declare any interim dividend in respect of the six months ended 30 September 2004 (2003: Nil).

## FUTURE PROSPECTS AND OUTLOOK

The Group has successfully established its leading position in the newspapers and magazines markets in Hong Kong and Taiwan. Though, *Apple Daily* remains its main source of income, it is encouraging to see the good improvement of *Taiwan Apple Daily* during the period. The Directors consider, following the strong rebound of Hong Kong's economy after the SARS epidemic and the improved market sentiment, the Newspaper Publication and Printing Division will continue to generate sustainable and steady income for the Group.

Newsprint and paper costs account for a substantial portion of the Group's production costs in Hong Kong and Taiwan. It is anticipated that prices in the World's paper markets will continue to rise throughout this year. This upward trend will undoubtedly increase the Group's operating costs in the coming years. Nevertheless, the Group will exercise cautious approach by implementing various cost control measures, to reduce the impact of the incremental paper costs.

Whereas for *Taiwan Next Magazine*, the apparent growth in advertising revenue during the period, was a reflection of recognition from advertising clients and its dominant position in the media market. The Board is confident that *Taiwan Next Magazine* will generate more profit for the Group.

Since its inception in May 2003, *Taiwan Apple Daily* has increased its average daily circulation and advertising income steadily. *Taiwan Apple Daily*, one of the top three newspapers in Taiwan, is well received by the Taiwanese readers and the Board believes, it will generate positive returns for the Group in the future.

It is anticipated that the newly introduced Hong Kong Financial Reporting Standards 2 and 3, together with the Hong Kong Accounting Standards ("HKAS") 32, 36, 38 and 39 which will be in force on 1 January 2005, may have an impact on the Group's financial statements in the future. The Board is closely monitoring this situation to ensure compliance with the new accounting standards. In particular, with regard to HKAS 38 which will impact on the valuation of intangible assets, the Board has taken the proactive step of appointing a professional valuer to carry out an overall valuation of the Group's mastheads and publishing rights as at 31 March 2005 in order to assist the Board in its evaluation of the impact of the new standards on the Group's financial reporting.

Looking ahead, the Group will adhere to its prudent strategic policy so as to provide a solid foundation to its operations in both Hong Kong and Taiwan. The Board is optimistic on the prospects of its Taiwan operations and believes, it will certainly provide a momentum to the growth of the Group.

## AUDIT COMMITTEE

The Audit Committee comprises of three independent Non-executive Directors of the Company, namely Mr. Yeh V-nee, Mr. Fok Kwong Hang, Terry and Dr. Kao Kuen, Charles. The members of the Audit Committee possess appropriate professional qualifications and practical experience in financial matters. The Audit Committee has reviewed with the management the Group's accounting principles and practices and discussed internal controls and financial reporting matters including the review of the unaudited interim financial accounts for the six months ended 30 September 2004. Deloitte Touche Tohmatsu, the Group's external auditors, have carried out a review of the

unaudited interim financial accounts in accordance with the Statement of Auditing Standards No. 700 “Engagement to review interim financial reports” issued by the Hong Kong Institute of Certified Public Accountants.

### **CODE OF BEST PRACTICE**

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 September 2004, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

### **THE MODEL CODE**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules. All Directors have confirmed, following specific enquiry by the Company, that they have fully complied with the required standard of the Model Code throughout the six months ended 30 September 2004.

### **PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES**

There was no purchase, sale or redemption of listed securities of the Company by the Company or any of its subsidiaries during the six months ended 30 September 2004.

### **PUBLICATION OF RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED**

All the information of the Group’s results as required by paragraph 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

By order of the Board  
**Ting Ka Yu, Stephen**  
*Director*

Hong Kong, 6 December 2004

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 certain statements that are “forward-looking” or which use certain forward-looking terminology. These statements are based on the current beliefs, assumptions, expectations and projections of the Directors of the Company regarding the industry and markets in which the Group operates. These statements are subject to risks, uncertainties and other factors beyond the control of the Group.

Please also refer to the published version of this announcement in South China Morning Post dated 7 December 2004.