

NEXTmedia

NEXT MEDIA LIMITED

(a company incorporated in Hong Kong with limited liability)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2003

GROUP FINANCIAL HIGHLIGHTS

	Unaudited Six months ended 30 September	
	2003 HK\$'000	Restated (Note 1) 2002 HK\$'000
Results		
Turnover	1,138,374	1,086,126
Earnings before interest, tax, depreciation and amortisation	36,092	326,510
Operating (loss)/profit	(75,986)	229,317
(Loss)/profit for the period	(109,124)	191,031
Basic (loss)/earnings per share	(8.1 cents)	15.5 cents
Fully diluted earnings per share	N/A	8.0 cents
	Unaudited 30 September 2003 HK\$'000	Restated (Note 1) 31 March 2003 HK\$'000
Balance Sheet		
Current assets	880,805	954,844
Non-current assets	3,499,199	3,509,305
Total assets	4,380,004	4,464,149
Current liabilities	542,391	501,318
Non-current liabilities	556,387	596,430
Minority interests	2,299	2,325
Total liabilities	1,101,077	1,100,073
Net assets	3,278,927	3,364,076

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	Unaudited	Restated
	30 September	(Note 1)
Ratio Analysis	2003	31 March
Current ratio	162.4%	190.5%
Quick ratio	141.3%	172.2%
Gearing ratio	5.5%	6.2%

The Board of Directors of Next Media Limited (the "Company") announces the unaudited interim results for the six months ended 30 September 2003 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 2003

		Unaudited	Restated
		Six months ended	(Note 1)
		30 September	2002
	<i>Note</i>	2003	2002
		HK\$'000	HK\$'000
Turnover	2	1,138,374	1,086,126
Production costs		(789,796)	(551,798)
Gross profit		348,578	534,328
Other revenues	2	12,131	12,484
Personnel costs excluding direct labour		(146,226)	(126,848)
Depreciation		(66,420)	(51,201)
Amortisation of intangible assets		(45,769)	(45,769)
Other administrative expenses		(178,280)	(93,677)
Operating (loss)/profit	4	(75,986)	229,317
Finance costs	5	(4,181)	(6,529)
(Loss)/profit before taxation		(80,167)	222,788
Taxation	6	(28,846)	(31,980)
(Loss)/profit after taxation		(109,013)	190,808
Minority interests		(111)	223
(Loss)/profit for the period		(109,124)	191,031
Basic (loss)/earnings per share	7	(8.1 cents)	15.5 cents
Fully diluted earnings per share	7	N/A	8.0 cents

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NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL ACCOUNTS

1 Basis of preparation and accounting policies

These unaudited condensed consolidated interim financial accounts (“interim financial accounts”) are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25, “Interim Financial Reporting”, issued by the Hong Kong Society of Accountants (“HKSA”) and Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

These interim financial accounts should be read in conjunction with the audited annual accounts for the year ended 31 March 2003.

The accounting policies and methods of computation used in the preparation of these interim financial accounts are consistent with those used in the audited annual accounts for the year ended 31 March 2003 except for those changes resulting from the adoption of the revised SSAP 12 “Income Taxes” issued by the HKSA which is effective for accounting periods commencing on or after 1 January 2003.

The changes to the Group’s accounting policies as a result of adopting the revised SSAP 12 and the effect of adopting these changes are set out below:

In accordance with the revised SSAP 12, except as explained below, deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and associated companies, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior years, deferred taxation was accounted for at the expected future taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts only to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the revised SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that, where necessary, the comparatives presented have been restated to conform to the changed policy.

As a result of this change in accounting policy, deferred tax liabilities as at 31 March 2003 have been increased by HK\$303,397,000 (2002: HK\$293,065,000) with corresponding adjustments to (i) increase in intangible assets by HK\$277,391,000 (2002: HK\$293,065,000), representing the effect on temporary differences arising from business combinations in prior years and (ii) decrease in retained earnings by HK\$26,006,000 (2002: Nil), representing the increase in the above deferred taxation as a result of the change in tax rate from 16% to 17.5% which should have been charged against the consolidated profit and loss account for the year ended 31 March 2003. There is no material impact on the consolidated profit and loss account of the Group for the six months ended 30 September 2002.

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2 Turnover and revenues

The Group is engaged in the provision of printing and reprographic services, the publication of books, magazines and newspapers, the delivery of internet content and the sale of advertising space in books, magazines and newspapers and on websites. Revenues recognised during the period are as follows:

	Six months ended	
	2003	2002
	HK\$'000	HK\$'000
Turnover		
Sales of newspapers	263,203	234,270
Sales of books and magazines	161,252	142,885
Newspapers advertising income	419,612	413,599
Books and magazines advertising income	217,993	202,209
Printing and reprographic services income	66,714	86,482
Internet content provision and advertising income	9,600	6,681
	<u>1,138,374</u>	<u>1,086,126</u>
Other revenues		
Sales of waste materials	8,482	3,228
Interest income on bank deposits	1,644	5,284
Others	2,005	3,972
	<u>12,131</u>	<u>12,484</u>
Total revenues	<u>1,150,505</u>	<u>1,098,610</u>

3 Segmental information

The Group's major business segments and their corresponding regions of operation 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 content provision and advertising	Hong Kong

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

Analysis of business segment results for the period ended 30 September 2003

	Newspapers publication and printing	Books and magazines publication	Books and magazines printing	Internet content provision and advertising	Elimination of inter-segment transactions	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	694,931	379,265	132,790	9,634	(78,246)	1,138,374
Segment results	(153,805)	39,566	22,195	3,927	-	(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>

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Analysis of business segment results for the period ended 30 September 2002 (Restated-Note 1)

	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>	Elimination of inter-segment transactions <i>HK\$ '000</i>	Group <i>HK\$ '000</i>
Turnover	664,028	345,094	133,861	6,681	(63,538)	1,086,126
Segment results	206,195	(4,254)	12,670	2,222	-	216,833
Other revenues						12,484
Operating profit						229,317
Finance costs						(6,529)
Profit before taxation						222,788
Taxation						(31,980)
Profit after taxation						190,808
Minority interests						223
Profit for the period						191,031

Secondary reporting format – geographical segments

	Six months ended 30 September 2003		Six months ended 30 September 2002	
	Turnover <i>HK\$ '000</i>	Segment results <i>HK\$ '000</i>	Turnover <i>HK\$ '000</i>	Restated (Note 1) Segment results <i>HK\$ '000</i>
Hong Kong	921,914	227,526	963,906	247,270
Taiwan	173,570	(334,581)	60,330	(40,648)
North America	27,448	10,835	44,362	6,589
Europe	12,482	6,544	14,995	3,086
Australasia	2,960	1,559	2,533	536
	<u>1,138,374</u>	<u>(88,117)</u>	<u>1,086,126</u>	216,833
Other revenues		12,131		12,484
Operating (loss)/profit		<u>(75,986)</u>		<u>229,317</u>

4 Operating (loss)/profit

Operating (loss)/profit is stated after charging the following:

	Six months ended 30 September	
	2003 <i>HK\$ '000</i>	2002 <i>HK\$ '000</i>
Cost of raw materials consumed in production	421,680	276,807
Provisions for bad and doubtful debts	4,915	4,897
Operating lease expenses on:		
Properties	3,361	5,462
Other assets	5,172	4,324

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5 Finance costs

	Six months ended 30 September	
	2003	2002
	HK\$'000	HK\$'000
Interest expenses on bank borrowings	4,277	6,529
Less: Interest capitalised in fixed assets	(96)	–
	<u>4,181</u>	<u>6,529</u>

6 Taxation

The amount of taxation charged to the consolidated profit and loss account comprises:

	Six months ended 30 September	
	2003	Restated (Note 1) 2002
	HK\$'000	HK\$'000
Hong Kong profits tax	50,384	16,068
Overseas profits tax	192	–
Deferred taxation (credit)/charge	(21,730)	15,912
	<u>28,846</u>	<u>31,980</u>

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profit for the period.

Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

7 (Loss)/earnings per share

The calculation of the basic (loss)/earnings per share is based on the loss for the period of HK\$109,124,000 (2002: profit of HK\$191,031,000) and the weighted average of 1,343,897,287 ordinary shares (2002: 1,233,661,176 ordinary shares) in issue during the period.

No diluted loss per share has been presented for the period ended 30 September 2003 as the exercise of the conversion rights attached to the 2% convertible non-voting non-cumulative preference shares (“Preference shares”) and the exercise of the share options would be anti-dilutive.

The calculation of fully diluted earnings per share for the period ended 30 September 2002 was based on the weighted average of 1,233,661,176 ordinary shares in issue during that period plus the weighted average of 1,163,102,450 ordinary shares deemed to have been issued at no consideration assuming all outstanding share options had been exercised and all the Preference shares had been converted into ordinary shares of the Company.

MANAGEMENT’S DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

In March 2003, communities across Asia, eventually across all international boundaries, witnessed the power and impact of the new epidemic - Severe Acute Respiratory Syndrome (“SARS”). For the months of April and May 2003, *Apple Daily*’s revenue dropped by as much as 20.1% when compared with the same period last year. Other magazines published by the Group were not materially affected by SARS. On another front, *Taiwan Apple Daily* was launched on 2 May 2003. The launch of *Taiwan Apple Daily* marked the Group’s further expansion of its Taiwan business.

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For the period under review, the total turnover of the Group slightly increased by approximately 4.8% from approximately HK\$1,086.1 million to approximately HK\$1,138.4 million. Such increase in turnover mainly came from the newly launched *Taiwan Apple Daily*, which contributed a turnover of approximately HK\$90.3 million, coupled with increasing advertising income from *Taiwan Next Magazine* of approximately HK\$23.2 million or 109.3%. The decline in revenue, mainly attributed to the adverse effect of SARS in the months of April and May 2003, of *Apple Daily* had pulled down the increase in turnover by approximately HK\$50.2 million.

An amount of approximately HK\$694.9 million, or 61.0% of the total turnover was contributed by the Newspapers Publication and Printing Division while approximately HK\$379.3 million or 33.3% was contributed by the Books and Magazines Publication Division. 4.8% of the total turnover or approximately HK\$54.6 million was contributed by the Books and Magazines Printing Division after elimination of inter-segment transactions and lastly approximately HK\$9.6 million or 0.9% was contributed by the Internet Division.

The unaudited consolidated loss of the Group for the six months ended 30 September 2003 amounted to approximately HK\$109.1 million, as compared to a profit of approximately HK\$191.0 million for the corresponding period of the previous year. The Group's significant deterioration in performance for the six-month period ended 30 September 2003 was attributable to the operating loss for the newly launched *Taiwan Apple Daily*.

The segment loss of the Group's major business segments for the six months ended 30 September 2003 was about HK\$88.1 million. The Newspapers Publication and Printing Division recorded a segment loss of approximately HK\$153.8 million, which was primarily attributable to the loss of *Taiwan Apple Daily*. The Books and Magazines Publication Division recorded a segment profit of approximately HK\$39.6 million. The Books and Magazines Printing Division recorded a segment profit of approximately HK\$22.2 million. The Internet Division recorded a segment profit of approximately HK\$3.9 million.

BUSINESS REVIEW

Newspapers Publication and Printing Division

The turnover of the Newspapers Publication and Printing Division was mainly attributable to *Apple Daily* and *Taiwan Apple Daily*, and amounted to approximately HK\$694.9 million, representing approximately 61.0% of the Group's total turnover.

Apple Daily has maintained its position as the second most popular newspaper in Hong Kong. For the three months ended 30 June 2003, *Apple Daily* recorded an average daily circulation of 354,917 copies according to audits conducted by the Hong Kong Audit Bureau of Circulation (the "HKABC"). According to the 2003 June ACNielsen Hong Kong Media Index RARD Report (the "ACNielsen RARD Report"), *Apple Daily* maintained an average readership of 1,340,000 over six months ended June 2003 as compared to an average readership of 1,335,000 over the corresponding period of last year.

Since the launch of the debut issue on 2 May 2003, *Taiwan Apple Daily* has been well-received by the public and gained an increasing popularity amongst a diverse group of readers. Eyeing the encouraging response, the Group increased its retail price from NT\$5 to NT\$10 on 1 June 2003. During the months from June to September 2003, print-run maintained at 400,000 to 600,000 copies and on average approximately 85% were sold. The retail price was maintained at NT\$10 from 1 June to 30 September 2003.

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In accordance with the newspaper circulation audit reports issued by The Audit Bureau of Circulations, R.O.C. ("the ROCABC"), *Taiwan Apple Daily* recorded a total circulation of 61,110,331 copies during the period from its launch on 2 May 2003 to 30 September 2003, giving an average daily circulation of 402,041 copies. At the same time, the total amount of Run-of-Page advertising income increased steadily from June to September 2003. In addition, *Taiwan Apple Daily* started to expand to the classified advertising market at the end of September 2003.

Books and Magazines Publication Division

The Group experienced a slight increase of approximately 9.9% in the turnover of the Books and Magazines Publication Division, which was mainly due to the increase in turnover from *Sudden Weekly*, *Eat & Travel Weekly* and *Taiwan Next Magazine*.

According to the ACNielsen RARD Report, *Next Magazine*, with an average readership of 465,000 over six months ended June 2003, maintained the No. 2 position in Hong Kong among all weekly magazines in terms of readership, representing an increase of 8.6% as compared to the average readership of 428,000 over the corresponding period last year. According to the HKABC, it recorded an average weekly circulation of 161,919 copies during the three months ended 30 June 2003.

The average readership of *Sudden Weekly* with *Eat & Travel Weekly* has a substantial increase. With an average readership of 552,000 over six months ended June 2003, it is ranked No. 1 among all weekly magazines in Hong Kong in terms of readership. For the corresponding period of last year, *Sudden Weekly* had an average readership of 391,000 while *Eat & Travel Weekly* had an average readership of 222,000. It recorded an average weekly circulation of 197,163 copies for the three months ended 30 June 2003.

Easy Finder, ranked third in the market, has an average readership of 313,000 over six months ended June 2003 according to the ACNielsen RARD Report as compared to an average readership of 333,000 over the corresponding period of last year. It has an average weekly circulation of 118,702 copies for the three months ended 30 June 2003 and continues to be the most popular weekly magazine among young readers.

Taiwan Next Magazine sustained its No. 1 position as the most widely read weekly magazine in Taiwan. It has an average readership of 1,528,000 for the six months ended June 2003 according to information from ACNielsen (Taiwan) Limited whereas its average readership for the corresponding period last year was 1,592,000. Total circulation of *Taiwan Next Magazine* for the three months ended June 2003, as audited by ROCABC, is 1,862,375 copies, giving an average weekly circulation of 143,259 copies.

During the period under review, both the total number of advertising page and average page rate increased gradually so that the magazine was able to maintain the momentum of a steady rise in advertising revenue. As a result, the total advertising income of *Taiwan Next Magazine* increased by approximately HK\$23.2 million or 109.3% as compared to the same period in last year.

These factors have enabled *Taiwan Next Magazine* to achieve breakeven in May 2003 and report a segment profit of approximately HK\$1.8 million for the six months ended 30 September 2003. As the Taiwan economy has shown signs of recovery after SARS, it is expected that the performance of *Taiwan Next Magazine* will further improve.

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Books and Magazines Printing Division

The Books and Magazines Printing Division continued to complement the Group's publishing business. For the six-month period ended 30 September 2003, the Division experienced an approximately 0.8% decrease in turnover before elimination as a result of the decrease in lower-margin printing contracts from external customers. The turnover of the Books and Magazines Printing Division amounted to approximately HK\$132.8 million before the elimination of inter-segment transactions of approximately HK\$78.2 million.

Internet Division

During the period under review, the Internet Division achieved a segment profit of approximately HK\$3.9 million, as compared to a segment profit of approximately HK\$2.2 million in the six months ended 30 September 2002. This was mainly attributable to the implementation of a multi-income-stream revenue model and tight cost-control measures.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 30 September 2003, the Group had available banking facilities totalling approximately HK\$362.4 million, of which approximately HK\$261.9 million had been utilised. All bank borrowings bear interest at floating rates. There is no seasonality of borrowing requirements. The Group's bank borrowings were mainly denominated in Hong Kong Dollars and New Taiwanese Dollars.

As at 30 September 2003, the Group had approximately HK\$303.6 million in cash. The Group's current ratio as at 30 September 2003 was 1.62, as compared to 1.91 as at 31 March 2003. The gearing ratios of the Group, calculated by dividing its long-term liabilities, including current portion, by total assets, were 5.5% and 6.2% as at 30 September 2003 and 31 March 2003, respectively.

Long-term liabilities, including current portion, totalled approximately HK\$242.5 million as at 30 September 2003, as compared to approximately HK\$275.9 million as at 31 March 2003. As at 30 September 2003, current portion of these long-term liabilities was approximately HK\$71.1 million, as compared to HK\$70.6 million as at 31 March 2003.

On 3 November 2003, Apple Daily Limited, a wholly owned subsidiary of the Company, obtained a HK\$300 million syndicated loan facility from a syndicate of seven banks arranged by Sumitomo Mitsui Banking Corporation. This HK\$300 million Transferable Term Loan/Revolving Credit Facility is divided into 2 tranches. Tranche A is a 5-year HK\$200 million term loan facility, while Tranche B is a 3-year HK\$100 million revolving credit facility. The proceeds of Tranche A will be used to refinance part of the existing loans. The proceeds of Tranche B will be used, if required, to provide funding for further business expansion and capital expenditure requirements. At the same time, the syndicated loan will lower the overall funding costs of the Group and will also broaden the base of lending banks.

PLEDGE OF ASSETS

As at 30 September 2003, the Group's properties in Hong Kong and Taiwan and certain printing equipment with an aggregate net book value of approximately HK\$774.7 million were pledged to various banks as security for bank loans and general banking facilities granted to the Group.

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EXCHANGE EXPOSURE AND CAPITAL EXPENDITURE

The assets and liabilities of the Group are mainly denominated either in Hong Kong Dollars or New Taiwanese Dollars. The Group has certain exchange exposures for New Taiwanese Dollars due to its existing magazine publishing business and the newly established newspaper publishing business in Taiwan. It is the Group's strategy to reduce the Group's exchange rate exposure by arranging local currency bank loans. The Group's net currency exposure as at 30 September 2003 was about NT\$3,699.3 million (about HK\$848.7 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 2003, the Group's capital expenditure totalled approximately HK\$85.2 million, including HK\$68.3 million for the operations in Taiwan. As at 30 September 2003, the amount of further capital expenditure committed for operations of the Group was HK\$18.8 million, including HK\$15.6 million for operations in Taiwan.

SHARE CAPITAL STRUCTURE

During the period, 240,000,000 ordinary shares of the Company of HK\$1.00 each were issued as a result of the conversion of 240,000,000 Preference shares of HK\$1.75 each held by Lai Chee Ying, Jimmy ("Mr. Lai") at a conversion price of HK\$1.75 per ordinary share. In addition, 3,826,800 ordinary shares of the Company of HK\$1.00 each were issued as a result of the exercise of certain share options of the Company by the option holders at an exercise price of HK\$1.67 per share.

As at 30 September 2003, the total issued share capital of the Company was HK\$3,087,487,976 divided into 1,477,487,976 ordinary shares of HK\$1.00 each and 920,000,000 Preference shares of HK\$1.75 each.

CONTINGENT LIABILITIES

As at 30 September 2003, the Group had contingent liabilities in respect of a number of litigation proceedings in Hong Kong and Taiwan arising in the normal course of its publishing business. In addition, the Group had a dispute with UDL Constructing Limited - the contractor for the construction of the printing facility of a subsidiary, namely Apple Daily Printing Limited, over amounts payable in respect of the construction of the facility, which is 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 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 Constructing Limited) involving the businesses acquired through the Acquisition. Having taken into consideration the advice of the Group's legal counsel and the Indemnity given by Mr. Lai, the Directors of the Company are of the opinion that any ultimate liability under these proceedings would not have a material impact on the financial position of the Group.

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 HK\$124.4 million.

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EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2003, the Group employed a total of 3,296 employees mainly in Hong Kong and Taiwan. Employee remuneration policies are regularly reviewed in the context of individual and business performance, market practice, internal relativities and competitive market pressures. Employees are rewarded on a performance-related basis. During the period, the special year-end bonus has been established and the profit sharing scheme is restructured to reward staff with commendable performance. Other employee benefits include retirement schemes, mandatory provident fund scheme, insurance and medical coverage. The Company and certain subsidiaries also operate discretionary share option schemes to motivate employee performance in enhancing shareholder value.

INTERIM DIVIDEND

The Directors have resolved not to declare any interim dividend in respect of the six months ended 30 September 2003 (2002: Nil).

PROSPECT AND OUTLOOK

Going forward

The Group is the largest Chinese-language print media group in Hong Kong. *Apple Daily*, *Next Magazine*, *Easy Finder*, *Sudden Weekly* and *Eat & Travel Weekly* have already secured their own market shares and will continue to bring stable revenue to the Group. The Board believes that these publications will generate more advertising revenue as the Hong Kong economy improves.

While the Group will continue to maintain its leading position in the Hong Kong Chinese print media market, substantial efforts will be made to solidify its foothold in the Taiwan market. It is expected that *Taiwan Next Magazine* will continue to make profit but it will not be a major profit contributor to the Group in the coming year.

Newsprint and paper costs are a substantial component of the manufacturing expenses of the Hong Kong and Taiwan newspapers and magazines published by the Group. Global paper prices are expected to increase in the coming year. Therefore, the financial performance of the Group may be adversely affected by any sustained paper price increases.

With the Group's expansion to the newspapers market in Taiwan by launching *Taiwan Apple Daily*, it is expected that the Group's results will continue to be affected and it may not be able to attain similar results as in the fiscal year 2002/2003. However, management will try their best to make sure whatever costs incurred will be contributed in paving the future success of *Taiwan Apple Daily*.

Taiwan Apple Daily

The Group is confident that there is room for further growth for *Taiwan Apple Daily*, especially in advertising. With an average editorial pages to advertising pages ratio of only 89:11 for the first five months of publishing, *Taiwan Apple Daily* has improved this ratio to 67:33 in October 2003 and the Group believes that there is further room to increase the number of advertising pages and hence advertising income.

Taiwan Apple Daily's advertising customers currently span across various industries, including mainly property developers, banking, department stores, entertainment business and motor cars. That demonstrates the vast scope for the Group to diversify its advertiser base.

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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 Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited interim financial accounts for the six months ended 30 September 2003. PricewaterhouseCoopers, 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 Society of Accountants.

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 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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, 12 December 2003

Forward-looking Statements

This announcement contains certain statements that are "forward-looking" and that use certain forward-looking terminology. These statements are based on the current beliefs, assumptions, expectations and projections of the directors of the Company about 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 on 15-12-2003.