NEXT MEDIA LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00282)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

The Board of Directors (the "Board" or the "Directors") of Next Media Limited ("Next Media" or the "Company") announces the unaudited interim results of the Company and its subsidiaries (together, the "Group") for the six months ended 30 September 2011, as well as the restated comparative figures for the same period of last year.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2011

	NOTES	Six months ended 30 September 2011 HK$'000 (unaudited)	2010 HK$'000 (unaudited and restated)
Continuing operations			
Revenue	3	**1,842,459**	1,696,760
Production costs			
Cost of raw materials consumed		**(639,480)**	(554,449)
Film production costs		**(192,360)**	(6,818)
Other overheads		**(191,073)**	(112,851)
Staff costs		**(478,235)**	(401,512)
Changes in programmes and film rights		**98,653**	—
		(1,402,495)	(1,075,630)
Personnel costs excluding direct production staff costs		**(334,226)**	(269,611)
Other income	3	**37,622**	22,560
Depreciation of property, plant and equipment		**(127,869)**	(66,878)
Release of prepaid lease payments to profit or loss		**(899)**	(899)
Other expenses		**(234,978)**	(175,938)
Finance costs	5	**(10,499)**	(3,148)
Share of results of a jointly controlled entity		**(1,172)**	891
Impairment loss on unlisted convertible note	14	**(7,800)**	—
(Loss) profit before tax		**(239,857)**	128,107
Income tax expense	7	**(35,353)**	(40,151)
(Loss) profit for the period from continuing operations	8	**(275,210)**	87,956
Discontinued operation			
Loss for the period from discontinued operation	18	**(48,807)**	(11,801)
(Loss) profit for the period		**(324,017)**	76,155
Other comprehensive (expenses) income			
Exchange differences arising on translation		**(89,103)**	19,149
Total comprehensive (expenses) income for the period		**(413,120)**	95,304

	NOTE	Six months ended 30 September 2011 HK$'000 (unaudited)	2010 HK$'000 (unaudited and restated)
(Loss) profit for the period attributable to:			
Owners of the Company			
— (Loss) profit for the period from continuing operations		**(275,534)**	87,803
— Loss for the period from discontinued operation		**(48,807)**	(11,801)
		(324,341)	76,002
Non-controlling interests			
— Profit for the period from continuing operations		**324**	153
		(324,017)	76,155
Total comprehensive (expenses) income attributable to:			
Owners of the Company		**(413,335)**	95,134
Non-controlling interests		**215**	170
		(413,120)	95,304
(Loss) earnings per share			
From continuing and discontinued operations	*10*		
Basic		**HK(13.4) cents**	HK3.2 cents
Diluted		**HK(13.4) cents**	HK3.1 cents
From continuing operations			
Basic		**HK(11.4) cents**	HK3.7 cents
Diluted		**HK(11.4) cents**	HK3.6 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2011

	NOTES	**30 September 2011** *HK$'000* **(unaudited)**	31 March 2011 *HK$'000* (audited)
NON-CURRENT ASSETS			
Intangible assets		**1,300,881**	1,300,881
Goodwill	*6*	**9,888**	—
Property, plant and equipment	*11*	**2,188,429**	2,132,185
Prepaid lease payments	*12*	**62,453**	63,352
Deposit for acquisition of property, plant and equipment	*13*	**163,417**	145,363
Interest in a jointly controlled entity		**—**	1,172
Investment in an unlisted convertible note	*14*	**—**	6,216
Derivatives embedded in the investment in an unlisted convertible note	*14*	**—**	1,584
		3,725,068	3,650,753
CURRENT ASSETS			
Programmes and film rights		**166,893**	68,240
Inventories		**208,423**	171,000
Trade and other receivables	*15*	**746,638**	711,610
Prepaid lease payments	*12*	**1,797**	1,797
Tax recoverable		**3,254**	1,716
Restricted bank balances	*16*	**5,411**	5,411
Bank balances and cash		**403,800**	878,557
		1,536,216	1,838,331
Assets classified as held for sale	*17*	**79,473**	—
		1,615,689	1,838,331
CURRENT LIABILITIES			
Trade and other payables	*19*	**757,400**	653,594
Borrowings	*20*	**694,263**	127,107
Obligations under finance leases		**4**	4
Tax liabilities		**41,501**	23,620
		1,493,168	804,325
Liabilities associated with assets classified as held for sale	*17*	**16,583**	—
		1,509,751	804,325
NET CURRENT ASSETS		**105,938**	1,034,006
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,831,006**	4,684,759

	NOTES	30 September 2011 HK$'000 (unaudited)	31 March 2011 HK$'000 (audited)
NON-CURRENT LIABILITIES			
Borrowings	*20*	**308,254**	752,176
Retirement benefits plans		**26,977**	27,242
Deferred tax liabilities		**289,697**	291,781
		624,928	1,071,199
NET ASSETS		**3,206,078**	3,613,560
CAPITAL AND RESERVES			
Share capital	*21*	**2,412,497**	2,412,497
Reserves		**788,772**	1,196,650
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**3,201,269**	3,609,147
NON-CONTROLLING INTERESTS		**4,809**	4,413
TOTAL EQUITY		**3,206,078**	3,613,560

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2011

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS 34") *Interim Financial Reporting*.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2011 are the same as those used in the preparation of the Group's annual financial statements for the year ended 31 March 2011.

In the current interim period, the Group has applied, for the first time, the following new or revised standards and interpretations ("new or revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
HK(IFRIC) — Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the above new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied new or revised standards and interpretations that have been issued but are not yet effective. The following new or revised standards and interpretations have been issued after the date the consolidated financial statements for the year ended 31 March 2011 were authorised for issuance and are not yet effective.

HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosures of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[2]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]

[1] Effective for annual periods beginning on or after 1 January 2013

[2] Effective for annual periods beginning on or after 1 July 2012.

The directors of the Company anticipate that the application of these new or revised standards and amendments will have no material impact on the results and the financial position of the Group.

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, the sales of advertising space and subscription revenue from televisions, websites, internet subscription and the provision of internet content. Revenue recognised during the period for continuing operations is as follows:

	Six months ended 30 September	
	2011	2010
	HK$'000	*HK$'000*
Revenue		
Sales of newspapers	**388,368**	394,716
Sales of books and magazines	**125,739**	131,808
Newspapers advertising revenue	**825,106**	736,404
Books and magazines advertising revenue	**357,947**	310,096
Printing and reprographic services revenue	**120,899**	118,065
Television advertising and subscription revenue	**18,704**	—
Internet advertising revenue, internet subscription and content provision ("Internet businesses")	**5,696**	5,671
	1,842,459	1,696,760
Other income		
Sales of waste materials	**14,468**	10,690
Interest income on bank deposits	**948**	680
Rental income	**1,473**	830
Net exchange gain	**13,053**	6,002
Others	**7,680**	4,358
	37,622	22,560
Total	**1,880,081**	1,719,320

4. SEGMENT INFORMATION

Information reported to the Group's chief operating officer (the chief operating decision maker) for the purposes of resource allocation and assessment of performance focuses on type of goods delivered and services rendered. This is also the basis upon which the Group is organised and specifically focuses on the Group's operating divisions.

Specifically, the Group's operating and reportable segments are as follows:

Operating segments	Principal activities
Newspapers publication and printing	Sales of newspapers and provision of relevant printing and advertising services in Hong Kong and Taiwan
Books and magazines publication and printing	Sales of books and magazines and provision of relevant printing and advertising services in Hong Kong, Taiwan, North America, Europe and Australasia
Television and multi-media	Television broadcasting, programme production, advertising services, subscription and other related activities in Taiwan
Internet businesses	Advertising income, internet subscription and content provision in Hong Kong and Taiwan

All transactions between different operating segments are charged at prevailing market rates or pricing terms agreed between the segments.

The following is an analysis of the Group's revenue and results by operating and reportable segment for the period under review:

Six months ended 30 September 2011

Continuing operations

	Newspapers publication and printing *HK$'000*	Books and magazines publication and printing *HK$'000*	Television and multi-media *HK$'000*	Internet businesses *HK$'000*	Total *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
REVENUE							
External sales	**1,283,003**	**535,056**	**18,704**	**5,696**	**1,842,459**	**—**	**1,842,459**
Inter-segment sales	**8,502**	**9,297**	**—**	**6,180**	**23,979**	**(23,979)**	**—**
Total	**1,291,505**	**544,353**	**18,704**	**11,876**	**1,866,438**	**(23,979)**	**1,842,459**
RESULTS							
Segment results	**221,829**	**77,734**	**(495,817)**	**(17,828)**	**(214,082)**	**—**	**(214,082)**
Unallocated expenses							**(16,422)**
Unallocated income							**10,118**
Finance costs							**(10,499)**
Share of result of a jointly controlled entity							**(1,172)**
Impairment loss on unlisted convertible note							**(7,800)**
Loss before tax (continuing operations)							**(239,857)**

Six months ended 30 September 2010 (restated)

Continuing operations

	Newspapers publication and printing *HK$'000*	Books and magazines publication and printing *HK$'000*	Television and multi-media *HK$'000*	Internet businesses *HK$'000*	Total *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
REVENUE							
External sales	1,197,205	493,884	—	5,671	1,696,760	—	1,696,760
Inter-segment sales	1,579	9,801	—	—	11,380	(11,380)	—
Total	1,198,784	503,685	—	5,671	1,708,140	(11,380)	1,696,760
RESULTS							
Segment results	221,021	81,576	(141,648)	(19,197)	141,752	—	141,752
Unallocated expenses							(16,898)
Unallocated income							5,510
Finance costs							(3,148)
Share of result of a jointly controlled entity							891
Profit before tax (continuing operations)							128,107

Segment assets

As at 30 September 2011

Continuing operations

	Newspapers publication and printing ***HK$'000***	**Books and magazines publication and printing** ***HK$'000***	**Television and multi-media** ***HK$'000***	**Internet businesses** ***HK$'000***	**Eliminations** ***HK$'000***	**Consolidated** ***HK$'000***
Segment assets	**2,539,378**	**859,887**	**1,432,903**	**14,039**	**—**	**4,846,207**
Unallocated assets						**415,077**
						5,261,284

As at 31 March 2011

Continuing operations

	Newspapers publication and printing *HK$'000*	Books and magazines publication and printing *HK$'000*	Television and multi-media *HK$'000*	Internet businesses *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Segment assets	2,514,988	829,747	1,184,447	10,860	—	4,540,042
Unallocated assets						887,787
						5,427,829

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than interest in a jointly controlled entity, investment in an unlisted convertible note, embedded derivatives, certain bank balances and cash and corporate assets that are not attributable to segments.

Other segment information

For the period ended 30 September 2011

Continuing operations

	Newspapers publication and printing *HK$'000*	**Books and magazines publication and printing** *HK$'000*	**Television and multi-media** *HK$'000*	**Internet businesses** *HK$'000*	**Corporate** *HK$'000*	**Consolidated** *HK$'000*
Addition to non-current assets	**14,064**	**6,005**	**263,291**	**5,578**	**—**	**288,938**
Depreciation of property, plant and equipment	**51,153**	**10,767**	**61,598**	**2,377**	**1,974**	**127,869**

For the period ended 30 September 2010

Continuing operations

	Newspapers publication and printing *HK$'000*	Books and magazines publication and printing *HK$'000*	Television and multi-media *HK$'000*	Internet businesses *HK$'000*	Corporate *HK$'000*	Consolidated *HK$'000*
Addition to non-current assets	5,732	8,513	564,242	1,068	3	579,558
Depreciation of property, plant and equipment	47,828	9,133	4,556	3,293	2,068	66,878

Segment profit represents the profit earned by each segment without allocation of interest income, paper reel handling income, finance costs, share of profit of jointly controlled entity, impairment loss on unlisted convertible note, certain corporate and administrative expenses and taxation. This is the measure reported to management for the purposes of resource allocation and performance assessment.

5. FINANCE COSTS

	Six months ended 30 September	
	2011 *HK$'000*	2010 *HK$'000*
Continuing operations		
Interest expenses on bank borrowings:		
— wholly repayable within five years	**9,718**	3,148
— not wholly repayable within five years	**781**	—
	10,499	3,148

6. DISPOSAL OF A JOINTLY CONTROLLED ENTITY AND ACQUISITION OF A SUBSIDIARY

On 15 September 2011, the Group disposed of its entire 36.22% equity interest in Orbit-Media Limited ("OML") to a shareholder of OML ("the OML shareholder") in exchange for 100% equity interest in Anyplex Company Limited ("Anyplex"), a video-on-demand service and movie content provider in Taiwan, which was held by the OML shareholder at the time of acquisition.

Anyplex became a wholly-owned subsidiary of the Group at the date of share exchange was completed. The acquisition had been accounted for using the purchase method. The amount of goodwill arising from the acquisition was approximately HK$9,888,000. Anyplex was acquired so as to continue the expansion of the Group's television and multi-media operations.

The fair values of the identifiable assets and liabilities of Anyplex acquired during the period ended 30 September 2011 are not significantly different from their respective carrying amounts determined in accordance with HKFRSs immediately before the acquisition. The effect of the acquisition is summarised below:

	HK$'000
Net liabilities acquired:	
Programmes and film rights	11,315
Trade and other receivables	4,540
Bank balances and cash	7,636
Trade and other payables	(33,379)
	(9,888)
Goodwill	9,888
	—

The fair value of trade and other receivables at the date of acquisition amounted to HK$4,540,000. The gross contractual amounts of those trade and other receivables acquired amounted to HK$4,540,000 at the date of acquisition. None of the contractual cash flows is not expected to be collected at acquisition date.

	HK$'000
Satisfied by:	
Fair value of equity interest of 36.22% in OML *(Note)*	—
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	7,636

Note: The carrying amount of interest in OML at the date of disposal amounted to nil. The fair value of interest of OML approximates to its carrying amount.

Goodwill arose in the acquisition of Anyplex because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Anyplex. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

The acquisition of Anyplex during the period ended 30 September 2011 contributed approximately HK$2,140,000 to the Group's revenue and a loss of approximately HK$399,000 to the Group's loss before tax for the period between the date of acquisition and the end of the reporting period.

Had the acquisition been completed on 1 April 2011, total Group's revenue for the period would have been HK$1,864 million, and loss for the period would have been HK$334 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2011, nor is it intended to be a projection of future results.

In determining the "pro-forma" revenue and profit of the Group had Anyplex been acquired at the beginning of the current year, the Directors have:

- calculated depreciation of plant and equipment acquired based on the carrying amounts recognised in the pre-acquisition financial statements, which approximates to their fair values arising in the initial accounting for the business combination; and
- determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2011	2010
	HK$'000	*HK$'000*
Continuing operations		
The charge comprises:		
Current tax:		
Hong Kong	**32,679**	38,964
Other jurisdiction	**4,758**	4,984
Overprovision in prior years	**—**	(28)
Deferred tax:		
Credit for the period	**(2,084)**	(3,769)
	35,353	40,151

Hong Kong Profits Tax is recognised based on management's best estimate of the average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is 16.5% (2010: 16.5%) for the six months ended 30 September 2011.

Taxation arising in other jurisdiction is recognised based on management's best estimate of the average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is 17% (2010: 17%) which is the rate prevailing in the relevant jurisdiction.

The negative effective tax rate for the six months ended 30 September 2011 of 15% (2010: positive rate of 31%) resulted from the huge loss in the television and multi-media segment.

8. (LOSS) PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS

	Six months ended 30 September 2011 HK$'000	2010 HK$'000
(Loss) profit for the period from continuing operations has been arrived at after charging (crediting):		
Allowance for bad and doubtful debts (included in other expenses)	**10,206**	13,144
Operating lease expenses on:		
Properties	**8,932**	4,842
Plant and equipment	**28,866**	8,284
Amortisation of prepaid lease payments	**899**	899
Loss (gain) on disposal of property, plant and equipment	**300**	(117)
Provision for legal and professional fees (included in other expenses)	**30,112**	31,610

9. DIVIDENDS

No dividends were paid, declared or proposed during the reporting period (2010: Nil). The Directors do not recommend the payment of an interim dividend (2010: Nil).

10. (LOSS) EARNINGS PER SHARE

From continuing operations and discontinued operation

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

	Six months ended 30 September 2011 HK$'000	2010 HK$'000
(Loss) earnings:		
(Loss) profit for the period attributable to owners of the Company for the purposes of basic and diluted (loss) earnings per share	**(324,341)**	76,002
	No. of shares	No. of shares
Number of shares:		
Number of ordinary shares in issue during the period for the purpose of basic (loss) earnings per share	**2,412,496,881**	2,412,496,881
Effect of dilutive potential ordinary shares:		
Share options and share subscription plan *(Note)*	**—**	2,846,330
Number of ordinary shares for the purpose of diluted (loss) earnings per share	**2,412,496,881**	2,415,343,211

Note: The computation of diluted loss per share for the six months ended 30 September 2011 does not assume the conversion of the Company's outstanding share options and share subscription plan as the exercise price is higher than the Company's share price.

From continuing operations

The calculation of the basic and diluted (loss) earnings per share attributable to the owners of the Company from continuing operations is based on the following data:

	Six months ended 30 September	
	2011	2010
	HK$'000	*HK$'000*
(Loss) earnings:		
(Loss) profit for the period attributable to owners of the Company from continuing operations for the purposes of basic and diluted (loss) earnings per share	**(275,534)**	87,803
	No. of shares	No. of shares
Number of shares:		
Number of ordinary shares in issue during the period for the purpose of basic (loss) earnings per share	**2,412,496,881**	2,412,496,881
Effect of dilutive potential ordinary shares:		
Share options and share subscription plan *(Note)*	**—**	2,846,330
Number of ordinary shares for the purpose of diluted (loss) earnings per share	**2,412,496,881**	2,415,343,211

Note: The computation of diluted loss per share for the six months ended 30 September 2011 does not assume the conversion of the Company's outstanding share options and share subscription plan as the exercise price is higher than the Company's share price.

From discontinued operation

Basic loss per share from discontinued operation is HK2.0 cents per share (2010: HK0.5 cent per share) and diluted loss per share from the discontinued operation is HK2.0 cents per share (2010: HK0.5 cent per share), based on the loss for the period from discontinued operation of HK$48,807,000 (2010: HK$11,801,000) and the denominators detailed above for both basic and diluted loss per share.

11. PROPERTY, PLANT AND EQUIPMENT

	2011	2010
	HK$'000	*HK$'000*
COST		
At 1 April	**3,387,391**	2,874,675
Exchange difference	**(71,375)**	20,198
Additions	**287,594**	73,886
Disposals	**(10,343)**	(9,175)
Reclassified as held for sale *(Note 17)*	**(79,503)**	—
At 30 September	**3,513,764**	2,959,584
ACCUMULATED DEPRECIATION		
At 1 April	**1,255,206**	1,076,863
Exchange difference	**(23,079)**	7,103
Charge for the period	**139,530**	73,193
Eliminated on disposals	**(9,740)**	(8,236)
Reclassified as held for sale *(Note 17)*	**(36,582)**	—
At 30 September	**1,325,335**	1,148,923
CARRYING VALUES		
At 30 September	**2,188,429**	1,810,661
At 31 March	**2,132,185**	1,797,812

Notes:

(a) Pursuant to the lease agreements dated 25 May 1999 and 22 December 1999 with Hong Kong Science and Technology Parks Corporation ("HKSTP"), the buildings situated in Hong Kong are solely used for the publishing and printing of newspapers, magazines, directories and books. The Group's interests in the properties are transferable subject to the right of first refusal to purchase by HKSTP.

12. PREPAID LEASE PAYMENTS

Leasehold land situated in Hong Kong is amortised on a straight line basis over the lease terms of 50 years.

	30 September	31 March
	2011	2011
	HK$'000	*HK$'000*
Analysed for reporting purposes as:		
Current assets	**1,797**	1,797
Non-current assets	**62,453**	63,352
	64,250	65,149

13. DEPOSIT FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

The balance mainly represents the deposit made for the acquisition of property, plant and equipment for television broadcasting, programme production and other related activities in Taiwan.

14. INVESTMENT IN AN UNLISTED CONVERTIBLE NOTE

	30 September 2011	31 March 2011
	HK$'000	*HK$'000*
Unlisted convertible note due from OML, a jointly controlled entity *(Note)*	—	6,216

Note:

The convertible note with an aggregate principal amount of HK$7,800,000 was issued on 21 July 2010 by OML, a jointly controlled entity of the Group. The convertible note bears interest at a contractual interest rate of 4% per annum for the period commencing on 21 January 2012 till 20 July 2012. The convertible note is due for payment on 20 July 2012. The Group is entitled at any time commencing on the date falling on the expiry of 18 months from the issue date of the convertible note to the maturity date to convert the convertible note into ordinary shares of OML at an initial conversion price of HK$127.45 per share. The conversion price is subject to adjustments to reflect any share split, share consolidation, share dividend, share reclassification, reorganisation, capitalisation issuance or similar transaction affecting the share capital of OML. The Group has requested to redeem all outstanding convertible note at an amount equal to 100% of the outstanding principal amount at any time before the maturity date of the convertible note together with interest accrued to the date of redemption. In September 2011, after the Group disposed of its equity interest in OML, the Group has given the notice to OML to redeem all the outstanding convertible note.

The amount of unlisted note due from OML represented the liability component of the convertible note. The effective interest rate of the liability component is 13.15% per annum.

In view of continuous loss and net liabilities noted from OML, the Directors of the Group consider the investment in the unlisted convertible note is not recoverable and the carrying amounts of the liability component and derivative embedded in the convertible note have been fully impaired for the period ended 30 September 2011.

15. TRADE AND OTHER RECEIVABLES

	30 September 2011	31 March 2011
	HK$'000	*HK$'000*
Trade receivables, net	**571,803**	483,957
Less: Reclassified to held for sales *(Note 17)*	**(458)**	—
	571,345	483,957
Prepayments	**116,337**	166,219
Rental and other deposits	**24,859**	17,586
Others	**37,625**	43,848
	178,821	227,653
Less: Reclassified to held for sale *(Note 17)*	**(3,528)**	—
	175,293	227,653
Total trade and other receivables	**746,638**	711,610

The Group allows credit terms of 7 to 120 days to its trade customers.

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

	30 September 2011 HK$'000	31 March 2011 HK$'000
0–1 month	**287,202**	250,644
1–3 months	**275,835**	227,767
Over 3 months	**8,766**	5,546
	571,803	483,957

16. RESTRICTED BANK BALANCES

The amount is restricted for the use of settling certain potential debts and claims as stipulated as part of a share capital reduction exercise carried out during the year ended 31 March 2003.

17. ASSETS CLASSIFIED AS HELD FOR SALES/LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

On 10 June 2011, the Group entered into a sale and purchase agreement (the "S&P Agreement") with Sum Tat Ventures Limited ("Sum Tat"), which is 100% beneficially owned by Mr. Lai Chee Ying, Jimmy ("Mr. Lai") the Chairman and controlling shareholder of the Company, to dispose of the 70% equity interest in Colored World Holdings Limited and its subsidiaries ("CWH Group") at a cash consideration of US$100,000,000 (equivalent to approximately HK$776,000,000). After the disposal on 31 October 2011, the Group now holds 30% equity interest in CWH Group and will account for the investment as associate. CWH Group is principally engaged in the animation production in Hong Kong and Taiwan. The transaction was approved by its independent shareholders at an extraordinary general meeting held on 2 September 2011. The disposal had not completed as at 30 September 2011. The assets and liabilities of CWH Group, which are expected to be sold within twelve months, have been classified as assets held for sale and liabilities associated with assets held for sale in the condensed consolidated statement of financial position as at 30 September 2011. No impairment loss was recognised on initial classification of the disposal group as held for sale.

The major classes of assets and liabilities of CWH Group as at 30 September 2011 are as follows:

	HK$'000
Property, plant and equipment	42,921
Trade and other receivables	3,986
Amounts due from group companies	32,481
Bank balances and cash	32,566
	111,954
Less: Amounts due from group companies eliminated on consolidation	(32,481)
Total assets classified as held for sale	79,473
Trade and other payables	16,583
Amounts due to group companies	277,791
	294,374
Less: Amounts due to group companies eliminated on consolidation	(277,791)
Total liabilities associated with assets classified as held for sale	16,583

18. DISCONTINUED OPERATION

Upon the completion of the disposal as detailed in note 17, CWH Group will cease to be subsidiaries of the Company. The business of animation production which is solely carried out by CWH Group became a discontinued operation on the date it was classified as held for sale. The comparative figures have been restated to present the animation production business operation as a discontinued operation for the period ended 30 September 2010.

The loss from the discontinued operation relating to animation production business (in the Internet businesses segment) for the period is analysed as follows:

	Six months ended 30 September	
	2011	2010
	HK$'000	*HK$'000*
Revenue	**33,868**	1,020
Production costs	**(60,946)**	(3,795)
Other income	**6,922**	197
Personnel costs excluding direct production staff costs	**(10,040)**	(1,306)
Depreciation of property, plant and equipment	**(11,661)**	(6,315)
Other expenses	**(6,950)**	(1,602)
Loss for the period for the discontinued operation	**(48,807)**	(11,801)

The net cash flows from the discontinued operation are presented below:

	Six months ended 30 September	
	2011	2010
	HK$'000	*HK$'000*
Operating activities	**(28,632)**	(11,225)
Investing activities	**(7,829)**	(16,539)
Financing activities	**58,963**	30,353
	22,502	2,589

	Six months ended 30 September	
	2011	2010
	HK$'000	*HK$'000*
Loss for the period from the discontinued operation has been arrived at after (crediting) charging:		
Interest income	**(10)**	(6)
Loss on disposal of property, plant and equipment	**—**	827

19. TRADE AND OTHER PAYABLES

	30 September 2011 *HK$'000*	31 March 2011 *HK$'000*
Trade payables	**176,032**	163,620
Other payables	**597,951**	489,974
	773,983	653,594
Reclassified to liabilities associated with assets classified as held for sale *(Note 17)*	**(16,583)**	—
	757,400	653,594

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

	30 September 2011 *HK$'000*	31 March 2011 *HK$'000*
0–1 month	**106,424**	128,910
1–3 months	**47,703**	28,733
Over 3 months	**21,905**	5,977
	176,032	163,620

20. BORROWINGS

	30 September 2011 *HK$'000*	31 March 2011 *HK$'000*
Secured bank loans *(Note)*	**1,002,517**	879,283

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

	30 September 2011 *HK$'000*	31 March 2011 *HK$'000*
Carrying amount repayable		
— within one year or on demand	**694,263**	127,107
— more than one year, but not exceeding two years	**47,457**	370,857
— more than two years, but not exceeding five years	**168,157**	381,319
— more than five years	**92,640**	—
	1,002,517	879,283
Less: Amount due within one year shown under current liabilities	**(694,263)**	(127,107)
Non-current portion	**308,254**	752,176

During the period, the Group repaid bank loans amounting to HK$22 million.

In respect of syndicated bank loans of HK$650 million as at 30 September 2011, the Group was unable to fulfil one of the required financial covenants. The Directors of the Company will obtain confirmations from lenders on their willingness to grant the relative waiver on one-off basis. Until the lenders give a waiver on the said covenant, the loans are classified as current liability as at 30 September 2011.

The Directors of the Company believe that alternative sources of finance are available and sufficient for the continuing operations of the Group in case the lenders demand immediately repayment of the loans.

Up to the date of the report, the Directors of the Company are confident that the negotiations with lenders will come to a successful close.

Note:

At 30 September 2011, the Group's utilised and unutilised banking facilities were secured by the following:

- Certain of the Group's freehold land and buildings with an aggregate carrying value of approximately HK$1,106 million (31 March 2011: HK$802 million); and
- Certain of the Group's plant and machinery with an aggregate carrying value of approximately HK$271 million (31 March 2011: HK$311 million).

21. SHARE CAPITAL

	Authorised	
	No. of shares	*HK$'000*
Ordinary shares of HK$1.00 each		
At 1 April 2010, 30 September 2010, 1 April 2011 and 30 September 2011	4,600,000,000	4,600,000

	Issued and fully paid	
	No. of shares	*HK$'000*
At 1 April 2010, 30 September 2010, 1 April 2011 and 30 September 2011	2,412,496,881	2,412,497

22. EVENT AFTER THE END OF THE INTERIM PERIOD

Subsequent to the end of the reporting period, the Group completed the disposal of CWH Group as detailed in Note 17.

Upon fulfilment of the conditions precedent to the S&P Agreement, completion of the sale and purchase of the sales shares took place on 31 October 2011 (the "Completion"). Upon Completion, the Group now holds 30% of the entire issued share capital of CWH Group which have ceased to be subsidiaries of the Company. The Group is expected to record a gain on disposal of the sale shares and the amount of the gain will be finalised during the financial year ending 31 March 2012 and recognised in the audited consolidated financial statements of the Company for the year ending 31 March 2012.

Details of the above transaction have been disclosed in the announcements dated 10 June, 13 June, 4 July, 2 September and 31 October 2011 and the circular dated 15 July 2011 issued by the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESSES

The Group's main business activities are the publication and printing of newspapers, magazines and books in Hong Kong and Taiwan. It also sells advertising space in these and on its Web portals, and subscriptions to the Web portals. Furthermore, it provides printing, reprographic and animation services, delivers Internet content, and operates TV channels in Taiwan and a Web commerce business.

DISCONTINUED OPERATION

On 10 June 2011, the Group entered into a sale and purchase agreement with Sum Tat, a company 100% beneficially owned by Mr. Lai, the Company's Chairman and controlling shareholder, in respect of the sale of its 70% equity interest in CWH for a cash consideration of US$100.0 million (equivalent to HK$776.0 million) (the "Sale"). CWH Group are principally engaged in animation production and related services in Hong Kong and Taiwan. The Sale was approved by the independent shareholders at an extraordinary general meeting of the Company held on 2 September 2011 and it was completed on 31 October 2011.

Upon completion of the Sale, the member companies of the CWH Group ceased to be subsidiaries of the Company, and the animation operation that is solely carried out by the CWH Group became a discontinued operation of the Group. Therefore, the comparative figures in this report for the period ended 30 September 2010 have been restated to reflect the present status of the animation operation as a discontinued operation.

FINANCIAL RESULTS

The Group's revenue from continuing operations totalled HK$1,842.5 million during the period under review. This was HK$145.7 million or 8.6% more than the HK$1,696.8 million it recorded in the same months of 2010. The increase was mainly attributable to the Group's increased advertising income from its newspaper, magazine, television and multi-media operations.

The Group recorded a loss of HK$93.1 million for its continuing operations before interest, tax, depreciation, impairment and amortization but after non-controlling interests for the six months ended 30 September 2011 compared with a profit of HK$198.9 million for the corresponding period of 2010. The basic loss per share for continuing operations was HK11.4 cents, compared with basic earnings per share for continuing operations of HK3.7 cents in the same period of last year.

The Group's existing print businesses performed strongly during the six months ended 30 September 2011. Meanwhile, it continued to make considerable investments in building up its TV and multi-media operations in Taiwan, its Web commerce operations, and the establishment of *Hong Kong Sharp Daily*, its new free daily newspaper in Hong Kong. In doing so, it has laid the foundations for new business activities that have the potential to generate strong returns in the future.

In consequence of these investments, Next Media recorded an unaudited consolidated loss of HK$275.2 million on its continuing operations, compared with a profit of HK$88.0 million in the same period of 2010. Including the results of the animation operation for the period under review, the Group recorded an unaudited consolidated loss of HK$324.0 million, compared with a profit of HK$76.2 million in the same period of last year.

OVERVIEW OF MAJOR MARKETS

In general terms, the economic climate in Hong Kong and Taiwan remained favourable during the period under review, and this was reflected by the satisfactory half-year results of the Group's print operations.

However, concerns have been steadily building about the likely impact of a number of macro-economic factors. Like other places in the region, Hong Kong experienced accelerating inflation, which reached 5.7% in year-on-year terms in August 2011.

The prolonged debt crisis in the Euro Zone and the slow recovery of the US economy have made the world apprehensive about the possibility of another recession. This anxiety has resulted in large-scale sell-offs of equities in most markets, including Hong Kong's, during the summer months. The city's property market likewise became jittery and prices began to fall back from their record levels in the first six months of 2011.

Even so, Hong Kong's real GDP grew by a strong 6.3% in the first half of the year, compared with 7.0% during 2010. Exports were up by 13.3% year-on-year in the first eight months of 2011, compared with 22.8% in 2010. The continued influx of Mainland visitors maintained the tourism industry's momentum and made a big contribution to retail sales, which rose in value by 25.1% year-on-year in the first seven months of the year, having increased by 18.3% last year. The unemployment rate fell to 3.2% in the June to August 2011 period, compared to 4.4% in 2010.

Taiwan's economy also made progress. According to government estimates, a 4.4% surge in the value of exports and 2.6% growth in the domestic sector resulted in a net 5.0% year-on-year increase in real GDP up to June 2011, although the rate is expected to slow in the second half. The island's relationship with Mainland China continued to grow warmer, which had a beneficial impact on its economy.

The negative trends mentioned above have not so far affected advertising budgets in Hong Kong, where total advertising spending reached a record high of HK$16.6 billion in the first half of 2011, 16.0% up on the same period of last year. Although the picture was less rosy in Taiwan, where advertisers cut back by around 11.0% during the second quarter of this year, the Group's publications still experienced an average year-on-year increase in advertising revenue, thereby exceeding their targets in most cases.

OPERATIONAL REVIEW

The Group's operations in Hong Kong and elsewhere accounted for about 55.8% of its revenue during the six months ended 30 September 2011, compared with 58.6% in the same months of 2010. Its Taiwan operations contributed 44.2%, against 41.4% for the corresponding months in 2010. Favourable economic conditions in these two markets enabled its existing operations — especially its print operations — to generate positive results.

NEWSPAPERS PUBLICATION AND PRINTING DIVISION

The most exciting development in this area of the Group's operations was the launch of *Hong Kong Sharp Daily* on 19 September 2011. Initially, 800,000 copies of this new free tabloid are being distributed in the main commercial areas and housing estates throughout the city every morning from Mondays to Fridays. The aim is to increase the figure to one million copies in the near future, which will make it the most widely read free daily in Hong Kong. A separate midday edition with a print run of 100,000 copies is also being handed out in the main commercial districts.

Hong Kong Sharp Daily intends to be a mass-market and fully multimedia newspaper that appeals to a wide cross-section of the public, especially the working population. Its broad mix of general news, plus coverage of entertainment, business and finance and other topics, is delivered without political bias and in a format that makes it an enjoyable and easy read for busy people who wish to catch up quickly on the latest happenings. Its multimedia features also make it unique by allowing readers to access audio and video versions of the stories on their smartphones and iPhones via QR (Quick Response) code links.

Although some commentators have questioned whether the Hong Kong free daily newspaper market is becoming overcrowded, the Group is confident that *Hong Kong Sharp Daily* will be a success in the long term. This is due to its ability to leverage on the economies of scale created by Next Media's vast editorial and production capabilities. It will also benefit from the Group's strong and trusted brand image among advertisers and the public.

The Newspapers Publication and Printing Division achieved satisfactory results that were ahead its expectations during the six months ended 30 September 2011. *Apple Daily* and *Taiwan Apple Daily* were the largest contributors to the Division's revenue, which totalled HK$1,283.0 million and accounted for 69.6% of the Group's total revenue. This represented an increase of 7.2% on the figure of HK$1,197.2 million for the corresponding period last year. Meanwhile, the Division's segment profit slightly increased by 0.4% to HK$221.8 million, compared with HK$221.0 million in the same period of 2010.

Apple Daily remained Hong Kong's most widely read paid-for daily during the past half-year, and one of its best-selling ones. Its sales averaged 288,055 copies per day between January and June 2011, compared with 303,047 in the same period last year. It was read by an average of 1,571,000 people aged 12+ daily during the 12 months ended 30 June 2011, a slight decrease on the figure of 1,592,000 during the same months a year earlier.

Meanwhile, the newspaper's advertising revenue totalled HK$360.8 million during the period under review, an increase of 4.3% on the figure of HK$345.8 million recorded in the same period of 2010. The banking and telecommunication sectors accounted for the largest shares of this.

Taiwan Apple Daily remained the island's best-selling and most widely read daily, even though its readership decreased slightly to 3,089,000 during the six months ended 30 June 2011, compared with 3,157,000 a year earlier. The newspaper's external revenue increased by 13.4% to HK$669.7 million in the period, compared with HK$590.6 million during the corresponding months of 2010. Between them, the property, department and chain store, cosmetics sectors accounted for the lion's share of its advertising income.

Taiwan Sharp Daily, the Group's free newspaper in Taipei with an average daily distribution of 183,633 copies, maintained its popularity among readers and advertisers. Copies of the newspaper are distributed to commuters outside the city's Metro stations every morning from Mondays to Fridays, and it continued to attract smaller local advertisers.

Apple Daily Printing Limited

This newspaper printing operation continued to contribute a stable income to the Group. During the period under review, its revenue amounted to HK$198.4 million, an increase of 1.3% over the figure of HK$195.8 million achieved in the corresponding period of last year.

The revenue derived from the external customers of Apple Daily Printing Limited (total revenue less transactions related to printing Next Media's own publications) amounted to HK$67.5 million during the period under review, which was 4.5% higher than the HK$64.6 million it achieved in the same months of 2010. This was mainly attributable to additional printing orders from external customers.

BOOKS AND MAGAZINES PUBLICATION AND PRINTING DIVISION

The Books and Magazines Publication and Printing Division performed well during the period under review, despite an extremely competitive business environment. Its external revenue totalled HK$535.1 million, an increase of 8.3% on the HK$493.9 million it achieved in the same period of 2010.

The Group retained its unassailable position in the Hong Kong Chinese-language media industry, where it publishes the two best-selling and most widely read weekly magazines.

The revenue of *Next Magazine Bundle*, consisting of its flagship title, *Next Magazine* and a supplement named *NEXT+ONe* amounted to HK$142.3 million in the six months ended 30 September 2011, an increase of 9.2% compared with the figure of HK$130.3 million for the corresponding period of last year. It was particularly popular with companies advertising toiletries, luxury products and health equipment.

Meanwhile, *Next Magazine*'s readership aged 12+ declined to 759,000 during the 12 months ended 30 June 2011, compared with 780,000 in the same period of 2010, and its sales averaged 118,577 copies a week in the first six months of 2011, compared with 124,527 in the same period last year.

Sudden Weekly Bundle — which consists *Sudden Weekly*, *Eat & Travel Weekly* and *ME!* — remained the best-selling and most widely read weekly publication in Hong Kong. Its sales averaged 153,608 copies a week in the first six months of 2011, compared with 168,196 in the corresponding period last year; whereas its average weekly readership decreased to 796,000 in the year up to 30 June 2011, compared with 838,000 during the same period a year earlier.

Sudden Weekly Bundle's total revenue increased to HK$160.6 million in the six months up to 30 September 2011, compared with HK$150.8 million in the same period of 2010, representing an increase of 6.5%. Beauty salons, food and beverage companies and retail cosmetics shops formed the mainstay of *Sudden Weekly*'s advertising income; whereas food and beverages, restaurants and hotels accounted for the biggest shares of *Eat & Travel Weekly*'s advertising revenue. Perfume and cosmetics, fashion and accessories made up the bulk of *ME!*'s advertising.

FACE Bundle — which incorporates *FACE*, *Ketchup*, *Auto Express* and *Trading Express* — retained its appeal as an upmarket infotainment weekly targeting Hong Kong's younger readers. In the face of strong competition for advertising dollars in this segment, it achieved total revenue of HK$53.2 million in the six months up to 30 September 2011, compared with HK$47.5 million during the same period last year, an increase of 12.0%. Advertising for beauty and hair salons and education featured most prominently on its pages.

Its weekly sales averaged 49,833 copies between January and June 2011, against 58,063 in the same months of 2010; while it enjoyed an average weekly readership of 309,000 during the 12 months ended 30 June 2011, compared with 278,000 in the preceding 12 months.

Taiwan Next Magazine Bundle which consists *Taiwan Next Magazine* and *Taiwan ME!* retained its long-held lead in the island's weekly magazine market, both in terms of sales and readership. It sold an average of 104,233 copies a week between January and June 2011, compared with 106,198 copies in the same months last year, and its weekly readership averaged 1,831,000 during the same months, compared with 1,908,000 in the corresponding period of 2010. The magazine earned a total of HK$126.1 million in external revenue during the first half of the financial year, compared with HK$111.6 million in the same period of last year, an increase of 13.0%. The bulk of its advertising was for cosmetics, perfume, electronic and computer products.

Paramount Printing Company Limited

Apart from printing the Group's own magazines, the Division continued to produce high-quality printing work for external customers. Against a backdrop of intense competition, this generated revenue of HK$51.4 million in the six months ended 30 September 2011, which was 1.2% less than the HK$52.0 million it earned during the same period last year.

TELEVISION & MULTI-MEDIA DIVISION

Next Media's TV and multi-media operations in Taiwan continued to make progress during the six months up to 30 September 2011. The Group entered this market because it offers an attractive opportunity for an innovative newcomer. The island's television industry has been stagnant for nearly two decades, with little innovation in either its content or technology. The existing channels are still produced and broadcast in analogue format, and four out of five households are served by analogue-only cable networks.

The introduction of Next TV into the Taiwan market has been a protracted process. The Group initially encountered challenges and delays in obtaining government approval to operate TV channels on the existing cable network. This was resolved when the National Communications Commission ("NCC") eventually granted a licence for a news channel to Next TV on 20 July 2011. This followed the issuing of licences for a sports channel and movie channel earlier. Subsequently, Next TV launched its News Channel, the only local station in Taiwan producing programmes in high definition (HD) format, on Chunghua Telecom's MOD and kbroVision's digital platform. Between them, they have an initial combined membership base of close to 250,000 households. Negotiations are also underway to launch the news channel on the cable networks, which will have a reach of up to five million households. A new application for an entertainment and general interest channel licence filed by the Group in July 2011 is currently being considered by the NCC.

To bring innovation to the market and reach out to viewers seeking alternatives to traditional cable channels, the TV and Multi-Media Division has meanwhile focused on developing a Web TV format based on an open Internet-based, digital and interactive IPTV platform, which was launched in December 2010.

During its first six months of operations, around 400,000 households have signed up as members of Next Multi-Media's Yi Wang Le Club. They are given a multi-media set-top decoder box on loan, so that they can watch a growing number of channels plus a great variety of the latest Hollywood movies and other popular local programmes via its video-on-demand service.

While the video-on-demand began to generate income immediately, both the multi-media service and IPTV channels rely significantly on advertising revenue. The capital expenditures of the Next TV and multi-media platform, including set-top boxes and related supportive costs incurred was HK$263.3

million during the period under review, compared with HK$39.9 million in the same period a year earlier. Consequently, the Division recorded an operating segment loss of HK$495.8 million, compared with a loss of HK$141.6 million in the same period of last year.

In the coming months, the Division will continue to work on creating original and attractive HD contents that will boost the number of viewers and increase advertising revenue. New services, such as online TV games and TV shopping, are also being tested and will be rolled out in the second half of this financial year. The Group is confident that this operation will eventually become a significant profit contributor while transforming the landscape of the Taiwan TV industry in a dramatic way.

INTERNET DIVISION

The Group's online portals, together with their iPhone, iPad and Android apps, maintained their important role of providing local and overseas users with a convenient and entertaining way to access Next Media publications. They also served to popularise the Group's array of publications, particularly among the younger generation.

During the period under review, the online version of *Apple Daily* maintained its status as Hong Kong's most-visited interactive news portal, and the popularity of the *Taiwan Apple Daily* portal further increased. In September 2011, the numbers of absolute unique visitors to the websites reached 3.7 million and 7.7 million in Hong Kong and Taiwan respectively. To date, more than 1.5 million *Apple Daily* apps have been downloaded, making *Apple Action News* one of the most popular video news sources in these two markets.

The Division's external revenue consisted of subscription fees, advertising revenue that it shared with the respective publications, and content licensing payments. This amounted to HK$5.7 million during the period under review, compared with the figure of HK$5.7 million recorded in the same months last year. It made a segmental loss of HK$17.8 million, compared to a loss of HK$19.2 million in the corresponding period of 2010.

The Division continued to develop its animation operation during the first half of the financial year. On 2 September 2011, the Company's independent shareholders approved the sale of a 70% equity interest in CWH, the holding company of the Group's Taiwan-based animation operation, to Sum Tat for a total cash consideration of US$100.0 million. The transaction was completed on 31 October 2011.

Following the completion, Mr. Lai intends to commit additional resources to the animation operation, which both he and the Group believe has considerable scope for future development. The Group intends to use the proceeds from the Sale for general working capital purposes.

FUTURE PROSPECTS AND OUTLOOK

As previously mentioned, the economies of Hong Kong and Taiwan are currently robust and in growth mode. However, the severe and prolonged debt crisis in the Euro Zone and the slow and fragile nature of the US economic recovery, together with the gathering pace of inflation in a number of economies, are forming a dark cloud on the horizon. It is difficult to predict what impact they will have on the region — especially Mainland China, its principal growth engine — in the coming months.

Given its present strength in the market and the popularity of its publications among advertisers and key demographic sectors, Next Media is cautiously optimistic about the prospects for its established businesses in the second half of the financial year. It also intends to push ahead with its more recent ventures in the electronic and online media sectors. At the same time, it will always pay close attention to the bigger economic picture, and balance its enthusiasm to develop its operations further with a healthy degree of caution.

LIQUIDITY AND FINANCIAL RESOURCES

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

As of 30 September 2011, the Group had available banking facilities in a total of HK$1,621.7 million, of which HK$1,002.5 million had been utilised. All its bank borrowings bear interest at floating rates, and there is no seasonality for its borrowing requirements. The Group's bank borrowings are denominated in HK$ and NT$.

In August 2010, the Group accepted a term loan facility for an aggregate amount of HK$650.0 million offered by a syndicate of eight banks for general working capital purposes. The final maturity date of this facility is 36 months from the date of its first drawdown. Pursuant to the terms and conditions of this facility, the borrower, Apple Daily Limited, the Company, and certain subsidiaries which are acting as its guarantors, must ensure that Mr. Lai, the Company's controlling shareholder, will remain the Company's Chairman and that he will continue to hold directly or indirectly at least 51.0% of the total issued share capital of the Company. Non-compliance with the above condition may constitute a breach of general undertakings, and the banks in the syndicate may declare that any commitments under the facility are cancelled and/or declare that all outstanding amounts (together with interest thereon) are immediately due and payable. As of 30 September 2011, the Group had fully drawn down the facility.

As of 30 September 2011, the Group had HK$409.2 million in bank balances and cash reserves. Its current ratio, before assets and liabilities classified as held for sale, on the same date was 102.9%, compared to 228.6% as of 31 March 2011. The Group's gearing ratio, before assets and liabilities classified as held for sale, on the same date, which was calculated by dividing its long-term liabilities, including current portions by total asset value, amounted to 19.1%, compared to 16.0% as of 31 March 2011.

ASSETS PLEDGED

As of 30 September 2011, the Group had pledged its properties and printing equipment situated in Hong Kong and Taiwan with an aggregate carrying value of HK$1,377.2 million to various banks as security for bank loan facilities granted to it.

EXCHANGE EXPOSURE AND CAPITAL EXPENDITURE

The Group's assets and liabilities are mainly denominated in HK$ or NT$. Its exchange exposure to NT$ is due to its existing magazine and newspaper publishing, Internet businesses and television and multi-media operations in Taiwan.

As of 30 September 2011, the Group's net currency exposure stood at NT$7,336.0 million (equivalent to about HK$1,874.8 million), an increase of 6.4% on the figure of NT$6,893.8 million (equivalent to HK$1,825.2 million) as of 31 March 2011.

SHARE CAPITAL

As of 30 September 2011, the Company's total issued share capital was HK$2,412,496,881 divided into 2,412,496,881 ordinary shares with a par value of HK$1.0 each.

CONTINGENT LIABILITIES

As at 30 September 2011, the Group had contingent liabilities in respect of a number of legal proceedings in Hong Kong and Taiwan arising in the normal course of its publishing business.

In addition, the Group had a dispute with UDL Contracting Limited ("UDL") as contractor for the construction of a printing facility of Apple Daily Printing Limited, over amounts payable in respect of the construction of the facility. As the aforesaid dispute is now under arbitration, the final outcome remains uncertain.

Other than the legal and professional expenses which have been accrued in other payables, amounting to HK$94.5 million (as at 31 March 2011: HK$88.3 million), no provision has been recognised in respect of the above mentioned outstanding legal proceedings. In accordance with advice obtained from legal counsel, the Directors are of the opinion that the Group can successfully defend the claims.

In connection with the acquisition of Database Gateway Limited and its subsidiaries (the "Acquired Group") on 26 October 2001, Mr. Lai, Chairman and a controlling shareholder of the Company, has undertaken to provide unlimited personal indemnities to the Acquired Group against all payments, claims, suits, damages and settlement payments and any associated costs and expenses arising, made or incurred after 26 October 2001 arising out of or connected with (1) any third party claims made against the Acquired Group on and before 26 October 2001, (2) defamation claims, claims for infringement of intellectual property rights and other proceedings and claims which may in the future arise from the content of the newspaper and magazines published by the Acquired Group on and at any time before 26 October 2001, and (3) the contractual dispute with UDL (the "Indemnity"). In relation to the Indemnity, Mr. Lai procured a bank guarantee of HK$60.0 million for a term of three years upto 25 October 2013 in favour of the Company and the Acquired Group in respect of his obligations under the Indemnity.

EMPLOYEES AND REMUNERATION POLICY

As of 30 September 2011, the Group employed a total of 5,436 employees, of whom 2,154 were in Hong Kong, 3,278 were in Taiwan and 4 were in Canada. There were no material changes to the policies regarding employee remuneration, bonuses, share incentive schemes and staff development disclosed in the 2010/11 annual report of the Company.

The Group's total staff costs for the continuing operations for the six months ended 30 September 2011 amounted to HK$812.5 million, compared to HK$671.1 million for the corresponding period of last year. The increase in the total staff costs of the Group was mainly due to the increase of headcounts of the Television and Multi-Media Division during the period.

INTERIM DIVIDEND

The Directors have resolved not to declare an interim dividend for the six months ended 30 September 2011 (Six months ended 30 September 2010: HK$Nil).

AUDIT COMMITTEE

The Audit Committee consisted solely of the Company's three Independent Non-executive Directors, and it was chaired by Dr. Lee Ka Yam, Danny. Full details of the Audit Committee, including its role and terms of reference, can be found on the Company's website. All the members of the Audit Committee attended its meeting during the six months ended 30 September 2011, together with the external auditor and in the absence of the Executive Directors.

The Audit Committee also reviewed, with the management, the Group's accounting principles and practices, internal controls and risk management systems, and financial reporting matters, including the review of the interim financial statements of the Company for the six months ended 30 September 2011 (the "Interim Financial Statements").

Deloitte Touche Tohmatsu has reviewed the Interim Financial Statements in accordance with the Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", and the HKAS 34 "Interim Financial Reporting", both of which were issued by the HKICPA.

CORPORATE GOVERNANCE

During the six months ended 30 September 2011, the Company achieved full compliance with the applicable provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules (the "Code"), except for Code provision E.1.2. Due to another business engagement, Mr. Lai, the Chairman of the Board, did not attend the Company's Annual General Meeting held on 18 July 2011 (the "2011 AGM"). Instead, Mr. Chu Wah Hui, a former Executive Director ("ED") and the Chief Executive Officer ("CEO"), who has ceased to act as an ED and vacated his position as the CEO with effect from 2 October 2011, chaired the 2011 AGM in accordance with the provisions of Next Media's Articles of Association.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company 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 its current Directors have confirmed that they fully complied with the required standards of the Model Code throughout the period under review.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

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 2011.

PUBLICATION OF THE INTERIM REPORT ON THE WEBSITES OF HONG KONG EXCHANGES AND CLEARING LIMITED AND THE COMPANY

The interim report for the six months ended 30 September 2011 containing all information required by Appendix 16 to the Listing Rules will be dispatched to the shareholders and published on the websites of Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk and of the Company at www.nextmedia.com respectively in due course.

By Order of the Board
Lai Chee Ying, Jimmy
Chairman

Hong Kong, 18 November 2011

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.

As at the date of this announcement, the Board comprises:-

Executive Directors:
Mr. Lai Chee Ying, Jimmy *(Chairman)*
Mr. Cheung Ka Sing, Cassian
Mr. Ting Ka Yu, Stephen
Mr. Ip Yut Kin

Independent Non-executive Directors:
Mr. Fok Kwong Hang, Terry
Mr. Wong Chi Hong, Frank
Dr. Lee Ka Yam, Danny