

The Board of Directors of Next Media Limited (the "Company" or "Next Media") is pleased to present the Interim Report and consolidated financial statements for the six months ended 30 September 2000 of the Company and its subsidiaries (the "Group"). The consolidated results, consolidated cash flow statement and consolidated statement of recognised gains and losses of the Group for the six months ended 30 September 2000 and the consolidated balance sheet of the Group as at 30 September 2000, all of which are unaudited and certain are condensed, along with selected explanatory notes (the "interim accounts"), are set out on pages 8 to 20 of this report, and have been reviewed by the Company's audit committee and the Company's auditors.

## REVIEW OF OPERATIONS

### Financial Results

For the period under review, the total turnover of the Group increased by 177% from HK\$69 million for the six months period ended 30 September 1999 to HK\$191.2 million for the six months period ended 30 September 2000. The total turnover consists of HK\$107.9 million or approximately 56.4% from the printing division, HK\$79.5 million or approximately 41.5% from magazine publishing division and HK\$3.8 million or approximately 2.1% from the newly developed Internet division. The turnover of the Group for the six months period ended 30 September 2000 had improved substantially due primarily to the acquisition of *Easy Finder* magazine division and Internet division in October 1999 (the "Acquisition") that complementing by the continuous growth in turnover in the existing printing division. The growth in turnover for the printing division was resulted from the printing contracts awarded by Next Media International Holdings Limited ("Next International") since the completion of the Acquisition. The unaudited consolidated loss of the Group for the six months ended 30 September 2000 amounted to HK\$43.4 million compared with a loss of HK\$35.6 million in the previous corresponding period. Printing division and magazine publishing division reported a combined profit of HK\$36.7 million for the six months ended 30 September 2000 which was loss making in the previous corresponding period. However, the Internet division sustained a substantial loss of HK\$73.1 million. In addition, the Group recognised share of losses of an associated company amounting to HK\$7.0 million.

### Printing Division

In the six months period ended 30 September 2000, our printing division experienced substantial increase in turnover as a result of the additional printing contracts from Next International and various external customers after the Group acquired the magazine business from Next International in October 1999. These contracts increased printing turnover significantly where greater efficiency of the commercial web-printing machines was achieved for the six months period ended 30 September 2000. As a result of the additional work from Next International and various external customers, printing division was able to reverse the loss-making situation for the past few years. In addition, the printing division also provides service for the publishing division to print *Easy Finder* magazine during the period.

**Publishing Division**

The Group experienced 5.639% growth in turnover of publishing division mainly due to the acquisition of *Easy Finder* magazine from Next International in October 1999. This substantial growth was also partly contributed by the Group's decision to dispose of both *Capital Magazine* and *Car Plus Magazine* in order to re-deploy resources to areas with greater business potential in the previous corresponding period. *Easy Finder* magazine had an average weekly circulation of about 108,000 copies for the six-month period ended 30 June 2000, as audited by the Hong Kong Audit Bureau of Circulations Limited, and an average readership of 362,000 readers for the three-month period ended 31 August 2000. (Accordingly to AC Nielsen Hong Kong: The Millennium Study – RARD Report, August 2000).

*Easy Finder* is a forerunner in many publications such as a filofex-styled organizer with many useful information and hints, a user friendly map called "King of Map" which incorporated useful information such as restaurant, parking, attraction spots and a location guide to primary and secondary schools information for readers' easy reference. The map also branched out to offer special edition to advertisers for below-the-line promotions. This turned out to be well received by both the advertisers and readers. *Easy Finder* also operates a second-hand merchandize store in Mongkok area to facilitate readers in selling and buying of second-hand goods.

With the continuous improvement and enrichment of the content to keep abreast with the ever-changing youngster market, *Easy Finder* is now playing a leading and dominant role in the youth info-tainment magazine market.

**Internet Division**

In October 1999, the Group completed the Acquisition, with Next International, for certain domain names and websites, including "nextmedia.com", "easyfinder.com.hk" and "sw.com.hk" that led the Group into the Internet. In July 2000, the Group completed the acquisition of the entire issued share capital of Apple Daily Online Limited ("ADOL") for a consideration of HK\$500 million. The consideration was satisfied by the issue of 362,318,840 new shares of the Company at an issue price of HK\$1.38 per share. The principal division of ADOL is the operation of the website "appledaily.com.hk". The combination of these websites has significantly increased the total average daily page views and strengthened the website content of the Group.

The web business brought in approximately HK\$3.8 million turnover for the six months period ended 30 September 2000 which is mainly due to the advertising revenue contributed from the newly acquired ADOL. In addition, the Group has expanded the Internet operation by introducing e-commerce, online auction/sales and production service for development of websites. However, the expansion and development of websites have incurred material capital investment and start-up costs. Consequently, the Internet division sustained a substantial loss of approximately HK\$73.1 million. The major expenses consisted of salary, other

staff-related costs and depreciation. In July 2000, the Group has streamlined its workforce employed in the Internet division with a view to increase efficiency and improve competitiveness.

As at end of September 2000, the Group employed a total workforce of 578 employees.

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#### **Share of losses of associated companies – Gohome.com.hk**

During the period under review, the Group hold a 40% interest in Igloo Finance Limited (“Igloo”). The principal asset of Igloo is its 100% beneficial interest in www.gohome.com.hk, which is a Hong Kong-focused property-related website. This website provides online property classified advertisements, a transaction database, a forum and property commentaries. Igloo suffered a loss of HK\$17.5 million and 40% share of loss of HK\$7.0 million was reflected in the consolidated profit and loss account for the six months period ended 30 September 2000.

#### **Financial Resources**

During the current period, the Group has turned from a net current liabilities position to a net current assets position of approximately HK\$53 million. Such improvement was mainly due to the improved results generated from the printing and publishing divisions and also the HK\$200 million loan granted from Mr. Jimmy Lai (“Mr. Lai”), the chairman and controlling shareholder of the Group. In addition, in May 2000, the convertible notes in the aggregate principal amount of HK\$105,000,000 were converted by Next International into 233,333,333 new shares of the Company at a conversion price of HK\$0.45 per share.

The Group finances its operations principally from internal resources, banking facilities and the shareholder’s loan from Mr. Lai. The Company’s property at Tseung Kwan O is mortgaged to an international bank for obtaining a term loan facility. Interest rates for the Group’s banking facilities (including finance leasings) range from HIBOR plus 2% per annum to Prime plus 3% per annum and the interest rate for a term loan in the amount of HK\$8,176,000 is fixed at 9.5% per annum. The shareholder’s loan in the amount of HK\$200 million carries an interest rate at Prime minus 1% per annum. The contingent liability of the Company has been increased to HK\$79 million from HK\$54 million as disclosed in the last published annual report.

As at 30 September 2000, the Group had unutilized credit facilities granted by various banks of approximately HK\$67 million from its total available banking facilities (including finance leasings) of approximately HK\$197 million and bank and cash balances of approximately HK\$111 million. The gearing ratio of the Group is 103.9% calculated by dividing the long term liabilities (including current portion) by the shareholders’ funds.

## PROSPECTS AND OUTLOOKS

### Printing and Publishing

The Group will continue to concentrate on the high-yield and top-end printing market where quality and timely delivery are the primary concerns for customers. We believe this is where our competitive edge lies. The continuous strong recovery of the Hong Kong economy and the overall improvement in the Asia-Pacific region will no doubt increase the demand of printed matters. The Group also expects the strong recovery of the Hong Kong economy will have a positive impact on our publishing division both on circulation income and advertising income.

### Internet Development

Next Media, being one of the dominant media players in Hong Kong, has the online publishing rights of influential and popular publications including *Apple Daily*, *Next Magazine*, *Easy Finder*, *Eat*, *Travel & PC Weekly*, and *Sudden Weekly*.

In order to re-position our Internet business, in October 2000, we further reduced the number of Internet staff in order to streamline our operation and enhance efficiency. The cost of severance payment amounted to approximately HK\$3.83 million. Given that the Internet industry is experiencing difficulties in generating significant revenues, management believe that it is prudent to scale our business in line with revenue earnings. This has resulted in the business scaling our website development plans. Despite this review, the Company's portal is still one of the top content portal in the Hong Kong market.

Currently, our Internet division is undergoing a review process to ensure that all our resources are properly allocated. Through this phase, we will revisit our business model and strategy and prepare plans to place the business in a stronger financial position. With the launch of the new website atnext.com, which will act as a central portal for our online community, the Group believes that it will provide a more attractive advertising platform for advertisers and to further expand the range of its online offerings in a manner that is readily accessible to viewers.

### Expansion to Taiwan

The Group is currently formulating expansion plan for its magazine publishing operations into Taiwan, ROC ("Taiwan") over the next two years. The Group's plans include the creation of a new title tailored to the interests of readers in Taiwan. The Group may also consider the possibility of acquiring certain magazine titles or other publications in Taiwan. The Group expects to incur significant capital and other expenditures in connection with the expansion plan which will be funded initially by the Group's available banking facilities and if required, by further loans from Mr. Lai.

## DIRECTORS' INTEREST IN SECURITIES

As at 30 September 2000, the interests of the directors and chief executives of the Company, and their associates in the securities of the Company and its associated corporations, within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") were as follows:

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Director	Number of ordinary shares			Total interests
	Personal interests	Corporate interests	Other interests	
Mr Lai	1,568,077,703	181,159,420 <i>(Note (1))</i>	–	1,749,237,123
Mr Yeung Wai Hong	15,000,000	61,400,528 <i>(Note (2))</i>	–	76,400,528
Mr Morris Ho Kwok Fai	20,818,656	36,840,336 <i>(Note (3))</i>	–	57,658,992
Mr Andrew Chow On Kiu	35,760,675	–	–	35,760,675
Mr Peter Kok Hon Kay	4,595,637	–	–	4,595,637
Mr Stephen Ting Ka Yu	10,225,127	–	–	10,225,127
Mr V-nee Yeh	–	–	130,000 <i>(Note (4))</i>	130,000
Mr. Lim Tai Thong	9,532,000	–	–	9,532,000

*Note:*

- (1) These shares are beneficially owned by Apple Daily Limited ("ADL") and Mr. Lai is deemed to have interest in these shares by virtue of his controlling interest in ADL.
- (2) These shares are owned by Flagstone Assets Limited. Mr. Yeung Wai Hong is deemed to be interested in these shares by virtue of the 100% interest in Flagstone Assets Limited owned by himself and his family.
- (3) These shares are owned by Adcon Management Limited. Mr. Ho Kwok Fai, Morris is deemed to be interested in these shares by virtue of the 100% interest in Adcon Management Limited owned by himself and his spouse.
- (4) These shares are held by VP Special Situations I Limited ("VPSS") to which VP Private Equity Ltd. ("VPPE") is the fund manager. Mr. Yeh is deemed to be interested in these shares by virtue of the fact that he has more than one third of the voting rights in VPPE and a 0.486% attributable interest in VPSS.

Save as disclosed above, none of the directors and chief executives of the Company, or their associates had any interests in any securities of the Company or any of the Company's associated corporations as defined in the SDI Ordinance as at 30 September 2000, and none of the directors and chief executives, or their spouse or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such rights during the period.

### **SUBSTANTIAL SHAREHOLDERS**

As at 30 September 2000, the register of substantial shareholders maintained by the Company pursuant to section 16(1) of the SDI Ordinance showed that the following shareholder had an interest of 10% or more of the Company's issued share capital.

<b>Name</b>	<b>Number of ordinary shares</b>
Mr. Lai	1,749,237,123

### **INTERIM DIVIDEND**

The Directors have resolved not to declare any interim dividend in respect of the six months ended 30 September 2000 (1999: Nil).

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

There was no purchase, sale or redemption of listed securities of the Company by the Company or any of its subsidiaries during the six months ended 30 September 2000.

### **AUDIT COMMITTEE**

The Audit Committee comprises three independent non-executive directors of the Company, namely Mr. V-nee Yeh, Mr. Hsu Chien-kuo, Gerald and Mr. Fok Kwong Hang, Terry. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial matters including the review of the unaudited interim financial statements. At the request of the Audit Committee, the Group's independent auditors have carried out a review of the unaudited interim financial statements in accordance with the Statement of Auditing Standards 700 issued by the Hong Kong Society of Accountants.

## CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not, for any part of the accounting period for the six months ended 30 September 2000, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

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## DISCLOSURE UNDER PRACTICE NOTE 19 OF THE LISTING RULES

During the period, the Company has restructured the banking facilities from an international bank (the "Bank"). As at 30 September 2000, there was a term loan facility in the amount of HK\$114,000,000 (the "Term Loan Facility") repayable in 13 instalments with the last instalment falling due in June 2003. It will constitute a breach of the Term Loan Facility if (1) Mr. Lai either (a) ceases to be the beneficial owner, directly or indirectly, of a majority of the issued voting shares of each of the Company, Next International and Next Media (Holdings) Limited ("Next Holdings"), a wholly owned subsidiary of Next International, or (b) ceases to exercise management control of each of the Company, Next International and Next Holdings or (2) neither Next International nor Mr. Lai is on its or his own the beneficial owner (directly or indirectly) of at least 51% of the issued share capital of the Company.

By order of the Board  
**Yeung Wai Hong**  
*Director*

Hong Kong, 15 December 2000

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2000**

		<b>UNAUDITED</b>	
		<b>Six months ended</b>	
		<b>30 September</b>	
	<i>Notes</i>	<b>2000</b>	1999
		<i>HK\$</i>	<i>HK\$</i>
Turnover	2	<b>191,221,530</b>	69,023,040
Production costs		<b>(128,097,051)</b>	(45,689,186)
		<hr/>	<hr/>
Gross Profit		<b>63,124,479</b>	23,333,854
Other revenues		<b>3,649,959</b>	-
Personnel costs		<b>(50,963,879)</b>	(15,612,361)
Depreciation		<b>(14,364,816)</b>	(7,294,450)
Other administrative expenses		<b>(27,622,176)</b>	(18,801,631)
Other income		<b>8,450,594</b>	2,608,111
		<hr/>	<hr/>
Operating loss	3	<b>(17,725,839)</b>	(15,766,477)
Finance costs		<b>(14,546,515)</b>	(19,914,921)
Share of (losses)/profits of associated companies		<b>(7,012,876)</b>	597,654
		<hr/>	<hr/>
Loss before taxation		<b>(39,285,230)</b>	(35,083,744)
Taxation	4	<b>(3,912,077)</b>	(95,901)
		<hr/>	<hr/>
Loss after taxation		<b>(43,197,307)</b>	(35,179,645)
Minority interests		<b>(241,510)</b>	(410,904)
		<hr/>	<hr/>
Loss for the period		<b>(43,438,817)</b>	(35,590,549)
		<hr/>	<hr/>
Basic loss per share	5	<b>(1.5 cents)</b>	(13.1 cents)
		<hr/>	<hr/>

## CONSOLIDATED BALANCE SHEET

AS AT 30 SEPTEMBER 2000 AND 31 MARCH 2000

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		UNAUDITED	AUDITED
		As at	As at
		30 September	31 March
		2000	2000
	Notes	HK\$	HK\$
Intangible assets		210,000,000	210,000,000
Fixed assets		352,058,166	329,123,425
Investments in associated companies		(1,117,500)	5,124,943
Current assets			
Inventories		20,453,784	17,362,316
Accounts receivable, deposits and prepayments	6	83,126,850	56,038,816
Amounts due from related companies		18,361,982	13,084,723
Bank balances and cash		111,421,106	5,712,548
		233,363,722	92,198,403
Current liabilities			
Accounts payable and accrued charges	7	106,492,470	120,436,132
Amount due to holding company		–	13,026,169
Amounts due to related companies		29,584,308	10,912,946
Current portion of long term liabilities	8	30,036,224	28,496,730
Taxation payable		6,600,064	2,890,969
Bank overdraft – secured		7,458,018	4,175,153
		180,171,084	179,938,099
Net current assets/(liabilities)		53,192,638	(87,739,696)
		614,133,304	456,508,672
Financed by:			
Share capital	9	647,638,762	526,722,901
Reserves	10	(333,101,737)	(291,473,705)
Shareholders' funds		314,537,025	235,249,196
Minority interests		2,338,584	2,097,074
Long term liabilities	8	296,720,000	113,713,017
Convertible notes		–	105,000,000
Deferred taxation		537,695	449,385
		614,133,304	456,508,672

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2000

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	<i>Note</i>	Unaudited Six months ended 30 September 2000 HK\$
Net cash outflow from operating activities		(50,744,164)
Net cash outflow from returns on investments and servicing of finance		(10,896,556)
Total taxation paid		(114,672)
Investment activities		
Net cash inflow from acquisition of ADOL	<i>13(b)</i>	2,894,949
Net cash outflow from other investment activities		(23,146,954)
Net cash outflow from investment activities		(20,252,005)
Net cash inflow from financing		184,501,330
Increase in cash and cash equivalents		102,493,933
Cash and cash equivalents at 1 April		1,537,395
Effect of foreign exchange rate changes		(68,240)
Cash and cash equivalents at 30 September		<u>103,963,088</u>
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash		111,421,106
Bank overdraft		(7,458,018)
		<u>103,963,088</u>

**CONDENSED CONSOLIDATED STATEMENT OF  
RECOGNISED GAINS AND LOSSES**

**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2000**

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	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2000</b>	1999
	<i>HK\$</i>	<i>HK\$</i>
Exchange differences arising on translation of subsidiaries	<u>(68,240)</u>	<u>78,847</u>
Net (losses)/gains not recognised in the profit and loss account	<b>(68,240)</b>	78,847
Loss for the period	<u>(43,438,817)</u>	<u>(35,590,549)</u>
Total recognised gains and losses	<b>(43,507,057)</b>	(35,511,702)
Goodwill/capital reserve		
– directly taken to reserve account	<u>(482,159,967)</u>	–
	<u><b>(525,667,024)</b></u>	<u>(35,511,702)</u>

**NOTES TO CONDENSED INTERIM FINANCIAL ACCOUNTS**

**1. Principal accounting policies**

The unaudited condensed consolidated interim 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 (as applicable to condensed interim accounts) and Appendix 16 of the Listing Rules.

The accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those used in the audited accounts for the year ended 31 March 2000.

Certain comparative figures have been reclassified to conform with the current period presentation.

**2. Principal activities and geographical analysis of operations**

The group is principally engaged in the provision of printing and reprographic services, the publication of magazines, the delivery of Internet contents and the sales of advertising space in magazines and on websites.

An analysis of the Group's turnover and operating loss for the six months ended 30 September 2000 by principal activities and markets is as follows:

	Turnover		Operating Profit/(Loss)	
	Six months ended		Six months ended	
	30 September		30 September	
	2000	1999	2000	1999
	HK\$	HK\$	HK\$	HK\$
By principal activities:				
Printing and reprographic services	107,916,718	67,637,730	23,310,102	(14,596,841)
Magazine publishing	79,497,836	1,385,310	29,242,598	(1,169,636)
Internet business	3,806,976	-	(70,278,539)	-
	<u>191,221,530</u>	<u>69,023,040</u>	<u>(17,725,839)</u>	<u>(15,766,477)</u>

	Turnover		Operating Profit/(Loss)	
	Six months ended		Six months ended	
	30 September		30 September	
	2000	1999	2000	1999
	HK\$	HK\$	HK\$	HK\$
By principal markets:				
Hong Kong	146,731,908	30,661,080	(24,666,356)	(6,334,340)
North America	16,991,012	13,903,811	3,177,727	695,942
Europe	10,694,043	6,840,184	1,723,397	(2,541,397)
Australasia	16,804,567	17,617,965	2,039,393	(7,586,682)
	<u>191,221,530</u>	<u>69,023,040</u>	<u>(17,725,839)</u>	<u>(15,766,477)</u>

**3. Operating loss**

Operating loss is stated after charging the following:

	<b>6 months ended 30 September</b>	
	<b>2000 HK\$</b>	<b>1999 HK\$</b>
Depreciation :		
Assets owned by the Group	<b>14,116,463</b>	7,150,519
Assets held under finance lease	<b>248,353</b>	143,931
Cost of materials consumed in production	<b>49,595,320</b>	19,755,417
Provision for bad and doubtful debts	<b>1,517,544</b>	13,997,214
Operating leases expenses in respect of land and building	<b>4,915,419</b>	8,818,949

**4. Taxation**

Hong Kong profits tax has been provided at the rate of 16% (1999: 16%) on the estimated assessable profit for the period of companies comprising the Group which operate in Hong Kong. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

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

	<b>Six months ended 30 September</b>	
	<b>2000 HK\$</b>	<b>1999 HK\$</b>
Hong Kong profits tax	<b>3,742,000</b>	–
Overseas profits tax	<b>81,767</b>	–
Deferred taxation	<b>88,310</b>	–
	<b>3,912,077</b>	–
Share of taxation attributable to associated companies	–	95,901
	<b>3,912,077</b>	95,901

**5. Basic loss per share**

The calculation of the basic loss per share is based on the Group's loss for the period of HK\$43,438,817 (1999: HK\$35,590,549) and the weighted average number of 2,946,357,590 shares (1999: 270,655,156 shares) in issue during the period.

No diluted loss per share has been presented as the exercise of the conversion rights attached to the convertible notes and the exercise of the share options would be anti-dilutive.

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

Included in accounts receivable, deposits and prepayments are trade debtors and their ageing analysis is as follows:

	30 September 2000 HK\$	31 March 2000 HK\$
Accounts receivable:		
0 – 1 month	25,702,339	19,529,061
1 – 3 months	21,737,321	18,636,876
Over 3 months	37,435,765	26,909,914
	<u>84,875,425</u>	<u>65,075,851</u>
Less: Provision for bad debt	(16,780,224)	(15,441,572)
	<u>68,095,201</u>	<u>49,634,279</u>
Other receivables, deposits and prepayments	<u>15,031,649</u>	<u>6,404,537</u>
	<u><u>83,126,850</u></u>	<u><u>56,038,816</u></u>

The majority of the Group's sales are with credit terms of 15 to 120 days.

**7. Accounts payable and accrued charges**

Included in accounts payable and accrued charges are trade payable and their ageing analysis is as follows:

	30 September 2000 HK\$	31 March 2000 HK\$
Accounts payable:		
0 – 1 month	25,885,710	32,256,321
1 – 3 months	4,445,118	10,572,298
Over 3 months	890,761	4,744,948
	<u>31,221,589</u>	<u>47,573,567</u>
Other payables and accrued charges	<u>75,270,881</u>	<u>72,862,565</u>
	<u><u>106,492,470</u></u>	<u><u>120,436,132</u></u>

**8. Long-term liabilities**

	30 September 2000 HK\$	31 March 2000 HK\$
Loans		
Secured	124,689,558	138,201,658
Unsecured	200,000,000	–
	<u>324,689,558</u>	<u>138,201,658</u>
Finance lease obligations	<u>2,066,666</u>	<u>4,008,089</u>
	<u>326,756,224</u>	<u>142,209,747</u>
Current portion of long-term liabilities	(30,036,224)	(28,496,730)
	<u><u>296,720,000</u></u>	<u><u>113,713,017</u></u>

(a) As at 30 September 2000, the Group's bank loans and overdraft are secured by the following:

- The Group's land and buildings with an aggregate net book value of approximately HK\$194 million;
- The Group's printing machinery with an aggregate net book value of approximately HK\$60 million; and
- Corporate guarantee to the extent of approximately HK\$143.5 million given by Next Holdings, a related company.

The analysis of the long-term liabilities is as follows:

	30 September 2000 HK\$	31 March 2000 HK\$
Bank loan repayable		
- within one year	27,969,558	25,461,658
- in the second year	19,720,000	22,840,000
- in the third to fifth year	77,000,000	89,900,000
	<u>124,689,558</u>	<u>138,201,658</u>
Other loans repayable		
- over one year	200,000,000	-
	<u>200,000,000</u>	<u>-</u>
Finance lease obligations repayable		
- within one year	2,066,666	3,035,072
- in the second year	-	973,017
	<u>2,066,666</u>	<u>4,008,089</u>
	326,756,224	142,209,747
Less: Current portion	<u>(30,036,224)</u>	<u>(28,496,730)</u>
Amount due after one year	<u>296,720,000</u>	<u>113,713,017</u>

**9. Share capital**

		Authorized Ordinary shares of HK\$0.20 each	
	Notes	No. of shares	HK\$
At 1 April 2000		3,400,000,000	680,000,000
Increase in authorized ordinary share capital	(a)	<u>1,100,000,000</u>	<u>220,000,000</u>
At 30 September 2000		<u>4,500,000,000</u>	<u>900,000,000</u>

	Notes	Issued and fully paid Ordinary shares of HK\$0.20 each No. of shares	HK\$
At 1 April 2000		2,633,614,505	526,722,901
Issue of new shares	(b)	362,318,840	72,463,768
Exercise of convertible notes	(c)	233,333,333	46,666,667
Exercise of share options	(d)	8,927,132	1,785,426
		<u>3,238,193,810</u>	<u>647,638,762</u>
At 30 September 2000		<u>3,238,193,810</u>	<u>647,638,762</u>

- (a) By ordinary resolution passed on 31 July 2000, the authorized share capital of the Company was increased from HK\$680,000,000 to HK\$900,000,000 by the creation of 1,100,000,000 shares of HK\$0.20 each.
- (b) 362,318,840 ordinary shares of HK\$0.20 each were issued on 31 July 2000 at a premium of HK\$1.18 each as consideration for the acquisition of ADOL.
- (c) On 8 May 2000, Next International exercised its rights to convert its holding of convertible notes amounting to HK\$105,000,000 into 233,333,333 ordinary shares in the company at a conversion price of HK\$0.45 per share.
- (d) A total of 8,927,132 ordinary shares were issued at prices ranging from HK\$0.20 to HK\$1.14 per share to certain share option holders upon the exercise of their rights under the share option scheme of the Company on 24 August 2000.

## 10. Reserves

	Notes	Share premium HK\$	Property revaluation reserve HK\$	Translation reserve HK\$	Goodwill reserve HK\$	Accumulated losses HK\$	Total HK\$
At 1 April 2000		203,438,410	251,460	(276,447)	(273,476,336)	(221,410,792)	(291,473,705)
Issuing expenses	9(b)	(3,317,674)	-	-	-	-	(3,317,674)
Conversion of convertible notes	9(c)	58,333,333	-	-	-	-	58,333,333
Exercise of share option	9(d)	1,487,102	-	-	-	-	1,487,102
Premium on issue of shares	9(b)	427,536,231	-	-	-	-	427,536,231
Currency realignments		-	-	(68,240)	-	-	(68,240)
Goodwill arising from acquisition of ADOL	15	-	-	-	(482,159,967)	-	(482,159,967)
Loss for the period		-	-	-	-	(43,438,817)	(43,438,817)
		<u>687,477,402</u>	<u>251,460</u>	<u>(344,687)</u>	<u>(755,636,303)</u>	<u>(264,849,609)</u>	<u>(333,101,737)</u>
At 30 September 2000		<u>687,477,402</u>	<u>251,460</u>	<u>(344,687)</u>	<u>(755,636,303)</u>	<u>(250,963,497)</u>	<u>(319,215,625)</u>
Company and subsidiaries		-	-	-	-	(13,886,112)	(13,886,112)
Associated companies		-	-	-	-	-	-
At 30 September 2000		<u>687,477,402</u>	<u>251,460</u>	<u>(344,687)</u>	<u>(755,636,303)</u>	<u>(264,849,609)</u>	<u>(333,101,737)</u>

**11. Contingent liabilities**

At 30 September 2000, the Group was involved in litigation proceedings in Hong Kong arising in the normal course of its publishing business. Although the final outcome of these proceedings is uncertain, the Directors of the Company, having taken into consideration the advice from the Group's legal counsel, are of the opinion that the ultimate liability, if any, under these proceedings would not have a material impact on the financial position of the Group.

**12. Commitment**

(a) *Capital commitments for property, plant and machinery*

	<b>30 September 2000 HK\$</b>	<b>31 March 2000 HK\$</b>
Contracted but not provided for	<u>2,290,297</u>	<u>11,634,354</u>

(b) *Commitments under operating leases*

At 30 September 2000, the Group had commitments to make payments in the next twelve months under operating leases in respect of land and buildings which expire:

	<b>30 September 2000 HK\$</b>	<b>31 March 2000 HK\$</b>
Within one year	<b>1,809,190</b>	187,195
In the second to fifth year inclusive	<u>2,503,880</u>	<u>168,714</u>
	<u><b>4,313,070</b></u>	<u>355,909</u>

**13. Notes to the consolidated cash flow statement**

(a) *Major non-cash transactions*

The major non-cash transactions arised during the six months ended 30 September 2000 are set out in Note 9(b) and (c).

(b) *Purchase of ADOL*

	<i>HK\$</i>
Net assets acquired at fair value:	
Fixed assets	15,016,835
Accounts receivable and other receivables	2,857,596
Bank balances and cash	2,894,949
Accounts payable and other payables	<u>(2,929,347)</u>
	17,840,033
Goodwill	<u>482,159,967</u>
	<u>500,000,000</u>
Satisfied by Issue of new shares at premium	<u>500,000,000</u>

**14. Related party transactions**

During the period, the Group had the following material transactions with related parties:

Nature and terms of transactions	Related party	Revenue/ (Expenses or payments)	
		2000 <i>HK\$</i>	1999 <i>HK\$</i>
(a) <i>Transactions with Mr. Lai</i>			
Interest on shareholder's loan payable by the Company calculated at interest rate of Prime-1% per annum	Mr. Lai	(7,682,192)	-
(b) <i>Transactions with Igloo</i>			
Interest on shareholder's loan receivable by the Company calculated at Prime rate	Igloo	101,885	-

Nature and terms of transactions	Related party	Revenue/ (Expenses or payments)	
		2000 HK\$	1999 HK\$
<i>(c) Transactions with Next International and its subsidiaries</i>			
Interest on convertible notes payable by the Company calculated at HIBOR+2% per annum	Next International	(882,308)	-
Printing income at market rate	Various subsidiaries of Next International	44,119,917	-
Colour separation charge paid at market rate	Various subsidiaries of Next International	(1,772,046)	-
Advertising expenses paid at market rate	-ditto-	(1,044,955)	-
<i>(d) Transactions with ADL and its subsidiaries:</i>			
Printing income at market rate	ADL and its subsidiaries	1,634,965	-
Advertising expense paid at market rate	-ditto-	(11,255,641)	-
<i>(e) Transactions with AD Marketing Limited</i>			
Printing income at market rate	AD Marketing Limited	121,472	-
Rental income for office space at market rate	-ditto-	391,770	-
Purchase of fixed assets at market price	-ditto-	(228,516)	-
Purchase of air-tickets and travel expenses at market rate	-ditto-	(253,369)	-
Income for one-off service provided on contract basis	-ditto-	445,293	-

Next International, ADL and AD Marketing Limited are all companies beneficially owned by Mr. Lai who is a director and the chairman of the Company.

Igloo is an associated company of the Group during the period.

Next Holdings owned by Next International has given corporate guarantee for the Group's banking facilities, see Note 8(a)

The parties set out above (except item (b)) are also connected persons in accordance with Chapter 14 of the Listing Rules.

**15. Acquisition of ADOL**

On 2 June 2000, the Group entered into an agreement to acquire the entire issued share capital of ADOL for a consideration of HK\$500 million. The consideration is satisfied by the issue of 362,318,840 shares at HK\$1.38 per share. An excess of HK\$482 million of the consideration over the net assets value of ADOL has been recognised as goodwill reserve (a debit reserve) during the current period.

**16. Subsequent event**

On 31 October 2000, the board of directors has further decided and announced that in order to streamline the business, a total of 90 staff employed in the Apple Daily Online/Next Media websites were laid off and 11 less popular websites would be closed in due course. Severance payment totalled HK\$3,830,000 has been incurred.