



Next Media Limited Interim Report 2003/04

03/04

Embracing the quest for **truth and courage** to speak
Creating **true value** for our shareholders by
revealing the truth

Contents

- 01** Group Financial Highlights
- 03** Management's Discussion & Analysis
- 09** Other Information
- 14** Condensed Consolidated Profit and Loss Account
- 15** Condensed Consolidated Balance Sheet
- 16** Condensed Consolidated Cash Flow Statement
- 17** Condensed Consolidated Statement of Changes in Equity
- 18** Notes to Condensed Interim Financial Accounts
- 30** Independent Review Report

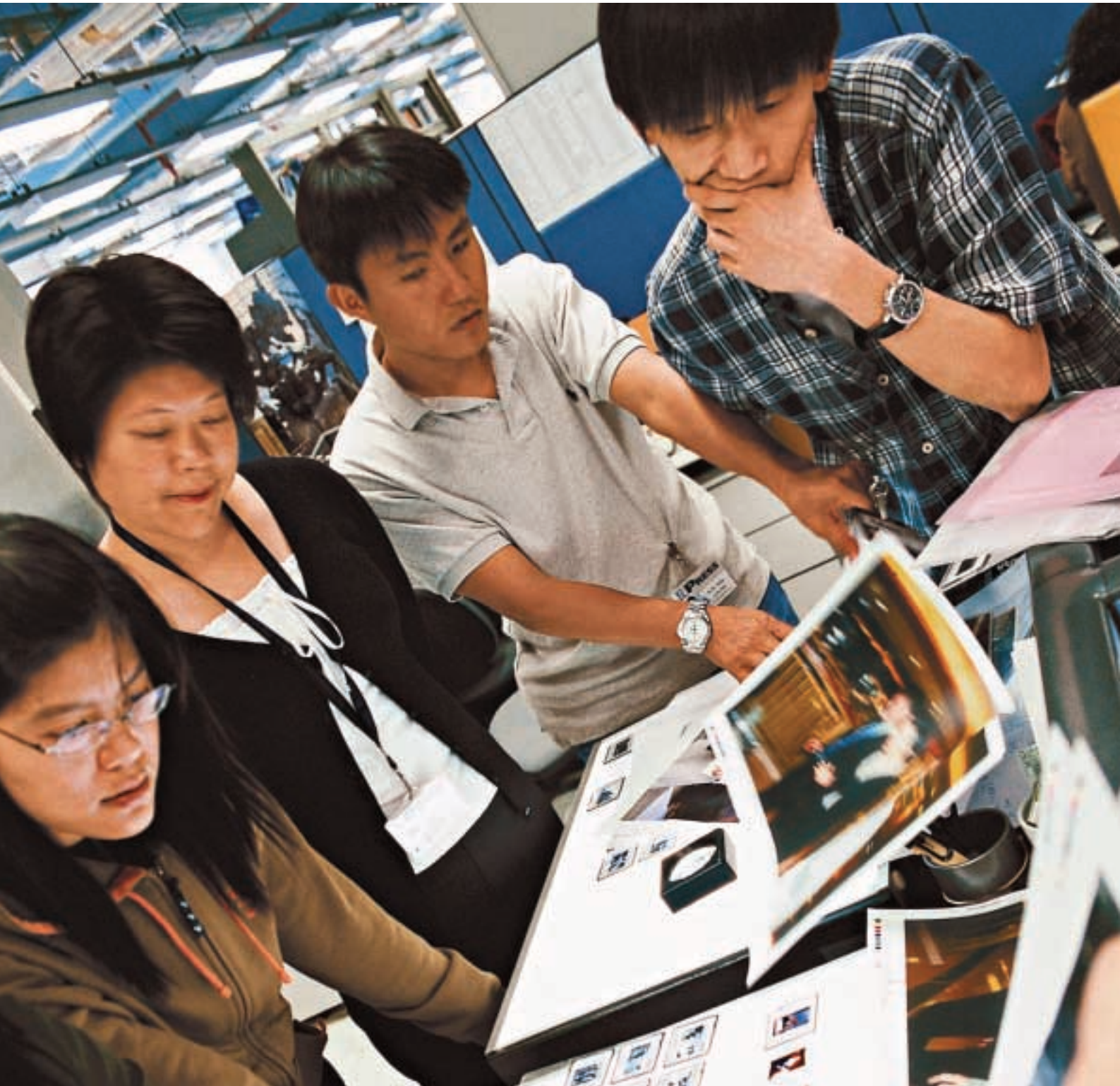
The board of directors of Next Media Limited (the "Company") presents the Interim Report and condensed accounts of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2003. The consolidated results, consolidated cash flow statement and consolidated statement of changes in

equity for the Group for the six months ended 30 September 2003, together with the consolidated balance sheet of the Group as at 30 September 2003, all of which are unaudited and condensed (the "Interim Financial Accounts"), are set out on pages 14 to 29 of this report, along with selected explanatory notes.

Group Financial Highlights

	Unaudited	
	Six months ended 30 September	
	2003	Restated*
	HK\$'000	2002 HK\$'000
Results		
Turnover	1,138,374	1,086,126
Earnings before interest, tax, depreciation and amortisation	36,092	326,510
Operating (loss)/profit	(75,986)	229,317
(Loss)/profit for the period	(109,124)	191,031
Basic (loss)/earnings per share	(8.1 cents)	15.5 cents
Fully diluted earnings per share	N/A	8.0 cents
Balance Sheet		
	Unaudited	Restated*
	30 September	31 March
	2003	2003
	HK\$'000	HK\$'000
Current assets	880,805	954,844
Non-current assets	3,499,199	3,509,305
Total assets	4,380,004	4,464,149
Current liabilities	542,391	501,318
Non-current liabilities	556,387	596,430
Minority interests	2,299	2,325
Total liabilities	1,101,077	1,100,073
Net assets	3,278,927	3,364,076
Ratio Analysis		
	Unaudited	Restated*
	30 September	31 March
	2003	2003
Current ratio	162.4%	190.5%
Quick ratio	141.3%	172.2%
Gearing ratio	5.5%	6.2%

* The comparative figures have been restated as a result of the change in accounting policy arising from the adoption of the Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 12 (revised). Details have been set out in Note 1 to the Interim Financial Accounts.



Management's Discussion & Analysis

The Group is engaged in the publication of newspapers, books and magazines; the sales of advertising space in newspapers, books and magazines; the provision of printing and reprographic services; the delivery of Internet content and the sales of advertising space on websites.

Financial Results

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

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

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

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

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

Business Review

Newspapers Publication and Printing Division

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

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

Management's Discussion & Analysis (Continued)

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

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

Books and Magazines Publication Division

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

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

The average readership of *Sudden Weekly* with *Eat & Travel Weekly* has a substantial increase. With an average readership of 552,000 over six months ended June 2003, it is ranked No. 1 among all weekly magazines in Hong Kong in terms of readership. For the corresponding period of last year, *Sudden Weekly*

had an average readership of 391,000 while *Eat & Travel Weekly* had an average readership of 222,000. It recorded an average weekly circulation of 197,163 copies for the three months ended 30 June 2003.

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

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

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

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

Books and Magazines Printing Division

The Books and Magazines Printing Division continued to complement the Group's publishing business. For the six-month period ended 30 September 2003, the Division experienced an approximately 0.8% decrease in turnover before elimination as a result of the



Management's Discussion & Analysis (Continued)



decrease in lower-margin printing contracts from external customers. The turnover of the Books and Magazines Printing Division amounted to approximately HK\$132.8 million before the elimination of inter-segment transactions of approximately HK\$78.2 million.

Internet Division

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

Liquidity and Financial Resources

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

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

As at 30 September 2003, the Group had approximately HK\$303.6 million in cash. The Group's current ratio as at 30 September 2003 was 1.62, as compared to 1.91

as at 31 March 2003. The gearing ratios of the Group, calculated by dividing its long-term liabilities, including current portion, by total assets, were 5.5% and 6.2% as at 30 September 2003 and 31 March 2003, respectively.

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

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

Pledge of Assets

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

Exchange Exposure and Capital Expenditure

The assets and liabilities of the Group are mainly denominated either in Hong Kong Dollars or New Taiwanese Dollars. The Group has certain exchange exposures for New Taiwanese Dollars due to its existing magazine publishing business and the newly established newspaper publishing business in Taiwan. It is the Group's strategy to reduce the Group's

Management's Discussion & Analysis (Continued)



exchange rate exposure by arranging local currency bank loans. The Group's net currency exposure as at 30 September 2003 was about NT\$3,699.3 million (about HK\$848.7 million). The Group will closely monitor the overall currency exposure and, when considered appropriate, will hedge against such exposure.

During the six months ended 30 September 2003, the Group's capital expenditure totalled approximately HK\$85.2 million, including HK\$68.3 million for the operations in Taiwan. As at 30 September 2003, the amount of further capital expenditure committed for operations of the Group was HK\$18.8 million, including HK\$15.6 million for operations in Taiwan.

Share Capital Structure

During the period, 240,000,000 ordinary shares of the Company of HK\$1.00 each were issued as a result of the conversion of 240,000,000 2% convertible non-voting non-cumulative preference shares ("Preference shares") of HK\$1.75 each held by Mr. Lai Chee Ying, Jimmy ("Mr. Lai") at a conversion price of HK\$1.75 per ordinary share. In addition, 3,826,800 ordinary shares of the Company of HK\$1.00 each were issued as a result of the exercise of certain share options of the Company by the option holders at an exercise price of HK\$1.67 per share.

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

Contingent Liabilities

As at 30 September 2003, the Group had contingent liabilities in respect of a number of litigation proceedings in Hong Kong and Taiwan arising in the normal course of its publishing business. In addition, the Group had a dispute with UDL Contracting Limited – the contractor for the construction of the printing facility of a subsidiary, namely Apple Daily Printing Limited, over amounts payable in respect of the construction of the facility, which is currently under arbitration. The final outcome of these proceedings is uncertain.

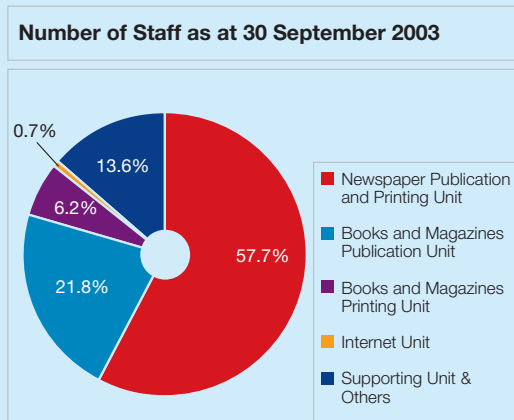
In connection with the acquisition of Database Gateway Limited in October 2001 (the "Acquisition"), Mr. Lai has undertaken to provide unlimited personal indemnities (the "Indemnity") to the Group against all payments, claims, suits, damages and settlement payments and associated costs and expenses in relation to certain legal proceedings (including the dispute with UDL Contracting Limited) involving the businesses acquired through the Acquisition. Having taken into consideration the advice of the Group's legal counsel and the Indemnity given by Mr. Lai, the directors of the Company are of the opinion that any ultimate liability under these proceedings would not have a material impact on the financial position of the Group.

The Company had contingent liabilities in relation to corporate guarantees given by the Company to financial institutions for facilities utilised by certain subsidiaries of the Company amounting to HK\$124.4 million.

Employees and Remuneration Policy

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

Management's Discussion & Analysis (Continued)



operate discretionary share option schemes to motivate employee performance in enhancing shareholder value.

Interim Dividend

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

Prospect and Outlook

Going forward

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

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

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

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

Taiwan Apple Daily

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

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

Forward-looking Statements

This document contains certain statements that are "forward-looking" and that use certain forward-looking terminology. These statements are based on the current beliefs, assumptions, expectations and projections of the directors of the Company about the industry and markets in which the Group operates. These statements are subject to risks, uncertainties and other factors beyond the control of the Group.

Other Information

Share Options

(a) Share Option Schemes of the Company

The Company adopted a share option scheme on 20 September 1993 (the "1993 Share Option Scheme"). On 29 December 2000, the Company adopted another share option scheme (the "2000 Share Option Scheme"). Upon adoption of the 2000 Share Option Scheme, the operation of the 1993 Share Option Scheme was

terminated. The 1993 Share Option Scheme expired on 19 September 2003. However, options granted under the 1993 Share Option Scheme which remained unexpired shall continue to be exercisable in accordance with their terms of issue.

The following share options were outstanding under the 1993 Share Option Scheme and the 2000 Share Option Scheme at 30 September 2003:

1993 Share Option Scheme

Name or category of participant	No. of options as at 01/04/03	Date of grant	Exercise price per share	Exercisable period	No. of options exercised during the period	No. of options lapsed during the period	Outstanding as at 30/09/03
An employee	71,136	11/01/1994	HK\$4.21	21/01/1995–21/01/2004	–	–	71,136
	81,505	10/06/1999	HK\$1.00	15/01/2000–15/06/2009	–	–	81,505
Total outstanding							152,641

2000 Share Option Scheme

Name or category of participant	No. of options as at 01/04/03	Date of grant	Exercise price per share	Exercisable period	No. of options exercised during the period	No. of options lapsed during the period	Outstanding as at 30/09/03
Director							
Ting Ka Yu, Stephen	1,618,000	18/03/2002	HK\$1.67	19/03/2003–28/12/2010	–	–	1,618,000
Tung Chuen Cheuk (Note 1)	2,536,000	18/03/2002	HK\$1.67	19/03/2003–28/12/2010	–	–	2,536,000
Employees							
In aggregate	19,556,000	18/03/2002	HK\$1.67	19/03/2003–28/12/2010	3,826,800 (Note 2)	1,019,800	14,709,400
Total outstanding							18,863,400

Note 1: Mr. Tung Chuen Cheuk was appointed as a director of the Company on 24 June 2003.

Note 2: The weighted average closing price immediately before the dates on which the options were exercised was HK\$2.91.

Other Information (Continued)

The options granted under the 2000 Share Option Scheme vest as follows:

On 1st anniversary of the date of grant	30% vested
On 2nd anniversary of the date of grant	further 30% vested
On 3rd anniversary of the date of grant	remaining 40% vested
No options were granted or cancelled during the period.	

(b) Share Option Schemes of subsidiaries

On 31 July 2002, each of Apple Daily Publication Development Limited and Next Media Publishing Limited, both wholly-owned subsidiaries of the Company adopted a share option scheme (together the "Subsidiary Share Option Schemes"), which complied with the requirements under Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The following share options were outstanding under the Subsidiary Share Option Schemes at 30 September 2003:

Apple Daily Publication Development Limited

Name or category of participant	No. of options as at 01/04/03	No. of options granted during the period	Date of grant	Exercise price per share	Exercisable period	No. of options lapsed during the period	Outstanding as at 30/09/03
Director							
Ting Ka Yu, Stephen	50,000	–	22/01/2003	(Note 1)	Not yet determined	–	50,000
	25,000	–	26/03/2003	(Note 1)	Not yet determined	–	25,000
Ip Yut Kin	100,000	–	22/01/2003	(Note 1)	Not yet determined	–	100,000
Tung Chuen Cheuk (Note 2)	50,000	–	26/03/2003	(Note 1)	Not yet determined	–	50,000
Employees							
In aggregate	435,000	–	08/01/2003	(Note 1)	Not yet determined	25,000	410,000
	45,000	–	22/01/2003	(Note 1)	Not yet determined	–	45,000
	100,000	–	26/03/2003	(Note 1)	Not yet determined	–	100,000
	–	50,000	23/04/2003	(Note 1)	Not yet determined	–	50,000
Total outstanding							830,000

Next Media Publishing Limited

Name or category of participant	No. of options as at 01/04/03	No. of options granted during the period	Date of grant	Exercise price per share	Exercisable period	No. of options lapsed during the period	Outstanding as at 30/09/03
Employees							
In aggregate and total outstanding	275,000	–	08/01/2003	(Note 1)	Not yet determined	–	275,000

Other Information (Continued)

Note 1 : The exercise price shall be the higher of (i) such amount representing not more than four times the "Latest Earnings Per Share" as defined in the Subsidiary Share Option Schemes and (ii) the nominal value of a share of the Subsidiary. For any option granted during the period commencing six months before the lodgement of an application with the relevant stock exchange for the Listing and at any time thereafter, the subscription price of a share shall not be less than the higher of (i) the issue price of a share at the Listing; (ii) such amount representing not more than four times the "Latest Earnings Per Share" as defined in the Subsidiary Share Option Schemes and (iii) the nominal value of a share of the Subsidiary.

Note 2 : Mr. Tung Chuen Cheuk was appointed as a director of the Company on 24 June 2003.

No options, in relation to either scheme, were exercised or cancelled during the period.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 September 2003, the directors and chief executive of the Company and their associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register

required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") in the Listing Rules:

(a) Interests in the Company

The table below sets out the long positions in the shares, underlying shares and debentures of each director and the chief executive of the Company:

Name of director/ chief executive	Personal interests	Family interests	Corporate interests	Other interests	Interests in underlying shares/ equity derivatives	Total shares	Percentage of issued share capital
1. Ordinary Shares							
Mr. Lai	973,902,535	–	4,692,400	–	920,000,000 (Note 1)	1,898,594,935	128.50
Ting Ka Yu, Stephen	5,790,314	–	–	–	1,618,000 (Note 2)	7,408,314	0.50
Kok Hon Kay, Peter	14,123,152	–	–	–	–	14,123,152	0.96
Ip Yut Kin	11,982,377	2,540,000	–	–	–	14,522,377	0.98
Tung Chuen Cheuk	1,736,800	30,000	–	–	2,536,000 (Note 2)	4,302,800	0.29
Yeh V-nee	300,000	–	–	26,000 (Note 3)	–	326,000	0.02
Fok Kwong Hang, Terry	1,000,000	–	–	–	–	1,000,000	0.07
2. Preference Shares							
Mr. Lai	920,000,000 (Note 1)	–	–	–	–	920,000,000	100.00

Other Information (Continued)

Notes:

- (1) These interests represented the 2% convertible non-voting non-cumulative preference shares of HK\$1.75 each held by Mr. Lai which are convertible into fully paid ordinary shares of HK\$1.00 each at the conversion price of HK\$1.75 per new share during a period of five years from 26 October 2001.
- (2) These interests represented the share options granted by the Company to these directors as beneficial owners, the details of which are set out in the section headed "Share Options".
- (3) These shares are held by VP Special Situations I Limited ("VPSS"), to which VP Private Equity Ltd. ("VPPE") is the fund manager. Mr. Yeh V-nee 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.

(b) Interests in Associated Corporations

Apple Daily Publication Development Limited

Name of director/ chief executive	Ordinary Shares				Interests in underlying shares/ equity derivatives	Total shares	Percentage of issued share capital
	Personal interests	Family interests	Corporate interests	Other interests			
Ting Ka Yu, Stephen	–	–	–	–	75,000 (Note 4)	75,000	0.75
Ip Yut Kin	–	–	–	–	100,000 (Note 4)	100,000	1.00
Tung Chuen Cheuk	–	–	–	–	50,000 (Note 4)	50,000	0.50

Note:

- (4) These interests represented the share options granted by Apple Daily Publication Development Limited to these directors as beneficial owners, the details of which are set out in the section headed "Share Options".

Other Information (Continued)

Save as disclosed above and those as disclosed in the section headed “Discloseable Interests and Short Positions of Shareholders under the SFO” below, none of the directors and chief executive of the Company or their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 September 2003.

Discloseable Interests and Short Positions of Shareholders under the SFO

As at 30 September 2003, the following person (other than the directors or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of shareholder	Number of shares/ underlying shares held	Percentage of issued share capital
Li Wan Kam, Teresa	1,898,594,935 (Note)	128.50

Note: These represent the same lot of shares held by Mr. Lai as disclosed in the section headed “Directors’ and Chief Executive’s Interests and Short Positions in Shares, Underlying Shares and Debentures”. Ms. Li Wan Kam, Teresa is the spouse of Mr. Lai and is deemed to be interested in these shares.

Save as disclosed above, the Company had not been notified of any other person (other than directors or the chief executive of the Company) who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO as at 30 September 2003.

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 2003.

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 2003, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

Audit Committee

The Audit Committee comprises of three independent non-executive directors of the Company, namely Mr. Yeh V-nee, Mr. Fok Kwong Hang, Terry and Dr. Kao Kuen, Charles. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited Interim Financial Accounts for the six months ended 30 September 2003. PricewaterhouseCoopers, the Group’s external auditors, have carried out a review of the unaudited Interim Financial Accounts in accordance with the Statement of Auditing Standards No. 700 “Engagement to review interim financial reports” issued by the Hong Kong Society of Accountants.

By order of the Board
Ting Ka Yu, Stephen
 Director

Hong Kong, 12 December 2003

Condensed Consolidated Profit and Loss Account

For the six months ended 30 September 2003

	Note	Unaudited Six months ended 30 September	
		2003 HK\$'000	Restated (Note 1) 2002 HK\$'000
Turnover	2	1,138,374	1,086,126
Production costs		(789,796)	(551,798)
Gross profit		348,578	534,328
Other revenues	2	12,131	12,484
Personnel costs excluding direct labour		(146,226)	(126,848)
Depreciation	8	(66,420)	(51,201)
Amortisation of intangible assets	8	(45,769)	(45,769)
Other administrative expenses		(178,280)	(93,677)
Operating (loss)/profit	4	(75,986)	229,317
Finance costs	5	(4,181)	(6,529)
(Loss)/profit before taxation		(80,167)	222,788
Taxation	6	(28,846)	(31,980)
(Loss)/profit after taxation		(109,013)	190,808
Minority interests		(111)	223
(Loss)/profit for the period		(109,124)	191,031
Basic (loss)/earnings per share	7	(8.1 cents)	15.5 cents
Fully diluted earnings per share	7	N/A	8.0 cents

Condensed Consolidated Balance Sheet

As at 30 September 2003 and 31 March 2003

	Note	Unaudited 30 September 2003 HK\$'000	Restated (Note 1) 31 March 2003 HK\$'000
Non-current assets			
Intangible assets	8	1,620,108	1,665,877
Fixed assets	8	1,868,580	1,844,258
Deferred taxation		11,341	–
Investment in an associated company		(830)	(830)
		3,499,199	3,509,305
Current assets			
Inventories		114,516	91,741
Accounts receivable, deposits and prepayments	9	462,695	365,936
Bank balances and cash		303,594	497,167
		880,805	954,844
Current liabilities			
Accounts payable and accrued charges	10	394,563	395,002
Current portion of long-term liabilities	11	71,087	70,548
Taxation payable		76,741	35,768
		542,391	501,318
Net current assets		338,414	453,526
Total assets less current liabilities		3,837,613	3,962,831
Financed by:			
Share capital	12	3,087,488	3,263,661
Reserves		191,439	100,415
Shareholders' funds		3,278,927	3,364,076
Minority interests		2,299	2,325
Non-current liabilities			
Long-term liabilities	11	171,442	205,381
Pensions obligations		11,026	6,747
Deferred taxation		373,919	384,302
		3,837,613	3,962,831

Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2003

	Unaudited Six months ended 30 September	
	2003 HK\$'000	2002 HK\$'000
Net cash (outflow)/inflow from operating activities	(92,722)	362,771
Net cash used in investing activities	(67,937)	(371,148)
Net cash (used in)/from financing activities	(33,392)	8,237
Decrease in cash and cash equivalents	(194,051)	(140)
Cash and cash equivalents at 1 April	497,167	567,109
Effect of foreign exchange rate changes	478	59
Cash and cash equivalents at 30 September	303,594	567,028
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	303,594	567,028

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2003

	Unaudited						Total HK\$'000
	Share capital	Share premium	Property revaluation reserve	Translation reserve	Goodwill reserve	Retained profits/ (accumulated losses)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2003, as previously stated	3,263,661	36,146	1,161	(6,436)	(15,559)	111,109	3,390,082
Effect of change in accounting policy in relation to deferred taxation (<i>Note 1</i>)	-	-	-	-	-	(26,006)	(26,006)
At 1 April 2003, as restated	3,263,661	36,146	1,161	(6,436)	(15,559)	85,103	3,364,076
Exercise of share options	3,827	2,564	-	-	-	-	6,391
Conversion of preference shares	(180,000)	180,000	-	-	-	-	-
Currency realignment	-	-	-	17,584	-	-	17,584
Loss for the period	-	-	-	-	-	(109,124)	(109,124)
At 30 September 2003	3,087,488	218,710	1,161	11,148	(15,559)	(24,021)	3,278,927
Company and subsidiaries	3,087,488	218,710	1,161	11,148	(15,559)	(17,263)	3,285,685
An associated company	-	-	-	-	-	(6,758)	(6,758)
At 30 September 2003	3,087,488	218,710	1,161	11,148	(15,559)	(24,021)	3,278,927
At 1 April 2002	3,263,661	865,083	1,161	(630)	(15,559)	(1,085,380)	3,028,336
Currency realignment	-	-	-	59	-	-	59
Profit for the period	-	-	-	-	-	191,031	191,031
At 30 September 2002	3,263,661	865,083	1,161	(571)	(15,559)	(894,349)	3,219,426
Company and subsidiaries	3,263,661	865,083	1,161	(571)	(15,559)	(887,591)	3,226,184
An associated company	-	-	-	-	-	(6,758)	(6,758)
At 30 September 2002	3,263,661	865,083	1,161	(571)	(15,559)	(894,349)	3,219,426

Notes to Condensed Interim Financial Accounts

1 Basis of preparation and accounting policies

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

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

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

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

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

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

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

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

Notes to Condensed Interim Financial Accounts (Continued)

1 Basis of preparation and accounting policies (Continued)

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

2 Turnover and revenues

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

	Six months ended 30 September	
	2003 HK\$'000	2002 HK\$'000
Turnover		
Sales of newspapers	263,203	234,270
Sales of books and magazines	161,252	142,885
Newspapers advertising income	419,612	413,599
Books and magazines advertising income	217,993	202,209
Printing and reprographic services income	66,714	86,482
Internet content provision and advertising income	9,600	6,681
	1,138,374	1,086,126
Other revenues		
Sales of waste materials	8,482	3,228
Interest income on bank deposits	1,644	5,284
Others	2,005	3,972
	12,131	12,484
Total revenues	1,150,505	1,098,610

Notes to Condensed Interim Financial Accounts (Continued)

3 Segmental information

The Group's major business segments and their corresponding regions of operation are summarised below:

Business segments

Newspapers publication and printing
Books and magazines publication
Books and magazines printing
Internet content provision and advertising

Regions of operations

Hong Kong and Taiwan
Hong Kong and Taiwan
Hong Kong, North America, Europe and Australasia
Hong Kong

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

Analysis of business segment results for the period ended 30 September 2003						
	Newspapers publication and printing HK\$'000	Books and magazines publication HK\$'000	Books and magazines printing HK\$'000	Internet content provision and advertising HK\$'000	Elimination of inter-segment transactions HK\$'000	Group HK\$'000
Turnover	694,931	379,265	132,790	9,634	(78,246)	1,138,374
Segment results	(153,805)	39,566	22,195	3,927	–	(88,117)
Other revenues						12,131
Operating loss						(75,986)
Finance costs						(4,181)
Loss before taxation						(80,167)
Taxation						(28,846)
Loss after taxation						(109,013)
Minority interests						(111)
Loss for the period						(109,124)

Notes to Condensed Interim Financial Accounts (Continued)

3 Segmental information (Continued)

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

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

Notes to Condensed Interim Financial Accounts (Continued)

3 Segmental information (Continued)

Secondary reporting format – geographical segments

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

4 Operating (loss)/profit

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

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

Notes to Condensed Interim Financial Accounts (Continued)

5 Finance costs

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

6 Taxation

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

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

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

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

7 (Loss)/earnings per share

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

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

Notes to Condensed Interim Financial Accounts (Continued)

7 (Loss)/earnings per share (Continued)

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

8 Capital expenditure

	Intangible assets HK\$'000	Fixed assets HK\$'000
1 April 2003, as previously stated	1,388,486	1,844,258
Effect of change in accounting policy (<i>Note 1</i>)	277,391	–
1 April 2003, as restated	1,665,877	1,844,258
Additions	–	85,185
Disposals	–	(495)
Depreciation/amortisation	(45,769)	(66,420)
Currency realignment	–	6,052
30 September 2003	1,620,108	1,868,580

9 Accounts receivable, deposits and prepayments

	30 September 2003 HK\$'000	31 March 2003 HK\$'000
Accounts receivable, net	394,655	292,536
Prepayments	53,664	45,223
Deposits for the acquisition of fixed assets	5,613	22,164
Rental and other deposits	3,061	3,039
Others	5,702	2,974
	462,695	365,936

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

Notes to Condensed Interim Financial Accounts (Continued)

9 Accounts receivable, deposits and prepayments (Continued)

At 30 September 2003, the aging analysis of the accounts receivable of the Group was as follows:

	30 September 2003 HK\$'000	31 March 2003 HK\$'000
0 – 1 month	145,597	109,805
1 – 3 months	213,171	139,772
Over 3 months	68,359	74,609
	427,127	324,186
Less: Provision for bad and doubtful debts	(32,472)	(31,650)
	394,655	292,536

10 Accounts payable and accrued charges

	30 September 2003 HK\$'000	31 March 2003 HK\$'000
Accounts payable	88,837	102,006
Accrued charges	305,726	292,996
	394,563	395,002

At 30 September 2003, the aging analysis of the accounts payable of the Group was as follows:

	30 September 2003 HK\$'000	31 March 2003 HK\$'000
0 – 1 month	53,110	65,840
1 – 3 months	25,613	23,358
Over 3 months	10,114	12,808
	88,837	102,006

Notes to Condensed Interim Financial Accounts (Continued)

11 Long-term liabilities

	30 September 2003 HK\$	31 March 2003 HK\$
Secured loans	242,529	275,929
Current portion of long-term liabilities	(71,087)	(70,548)
	171,442	205,381

An analysis of the above is as follows:

	30 September 2003 HK\$'000	31 March 2003 HK\$'000
Bank loans repayable		
– within one year	71,087	70,548
– in the second year	71,526	70,986
– in the third to fifth years	84,690	112,489
– after the fifth year	15,226	21,906
	242,529	275,929
Less: Current portion	(71,087)	(70,548)
	171,442	205,381

Note:

As at 30 September 2003, the Group's banking facilities were secured by the following:

- Certain of the Group's land and buildings with an aggregate net book value of approximately HK\$696.4 million; and
- Certain of the Group's plant and machinery with an aggregate net book value of approximately HK\$78.3 million.

Notes to Condensed Interim Financial Accounts (Continued)

12 Share capital

	Authorised			
	2% convertible non-voting, non-cumulative, preference shares ("Preference shares")		Ordinary shares	
	No. of shares	HK\$'000	No. of shares	HK\$'000
At 1 April 2002 and 30 September 2003, Preference shares of HK\$1.75 each and ordinary shares of HK\$1.00 each	1,160,000,000	2,030,000	2,570,000,000	2,570,000
	Issued and fully paid			
	Preference shares		Ordinary shares	
	No. of shares	HK\$'000	No. of shares	HK\$'000
At 1 April 2002 and 1 April 2003, Preference shares of HK\$1.75 each and ordinary shares of HK\$1.00 each	1,160,000,000	2,030,000	1,233,661,176	1,233,661
Exercise of share options	–	–	3,826,800	3,827
Conversion of Preference shares	(240,000,000)	(420,000)	240,000,000	240,000
At 30 September 2003, Preference shares of HK\$1.75 each and ordinary shares of HK\$1.00 each	920,000,000	1,610,000	1,477,487,976	1,477,488
			30 September 2003 HK\$	31 March 2003 HK\$
Total issued and fully paid share capital				
Ordinary shares of HK\$1.00 each			1,477,488	1,233,661
Preference shares of HK\$1.75 each			1,610,000	2,030,000
			3,087,488	3,263,661

Notes to Condensed Interim Financial Accounts (Continued)

13 Contingent liabilities

(a) Pending litigations

As at 30 September 2003, 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 a subsidiary, namely Apple Daily Printing Limited, over amounts payable in respect of the construction of the facility, which is currently under arbitration. The final outcome of these proceedings is uncertain.

In connection with the acquisition of Database Gateway Limited (“DGL”) and its subsidiaries on 26 October 2001, Mr. Lai Chee Ying, Jimmy (“Mr. Lai”), chairman and a major shareholder of the Company, has undertaken to provide unlimited personal indemnities to the Company and DGL and its subsidiaries (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 dispute with UDL (the “Indemnity”). In relation to the Indemnity, Mr. Lai also procured a bank guarantee of HK\$60,000,000 for a term of three years from 26 October 2001 in favour of the Company and the Acquired Group in respect of his obligations under the Indemnity.

The Directors of the Company, having taken into consideration advice from the Group’s legal counsels and the Indemnity given by Mr. Lai, are of the opinion that any ultimate liability under these proceedings would not have a material impact on the financial position of the Group.

(b) Guarantees

	Group		Company	
	30 September 2003 HK\$'000	31 March 2003 HK\$'000	30 September 2003 HK\$'000	31 March 2003 HK\$'000
Guarantees given to financial institutions in respect of credit facilities utilised by subsidiaries	–	–	124,389	184,700

Notes to Condensed Interim Financial Accounts (Continued)

14 Commitments

(a) Capital commitments in respect of the acquisition of fixed assets

	30 September 2003 HK\$'000	31 March 2003 HK\$'000
Contracted but not provided for	18,773	21,986

(b) Commitments under operating leases

At 30 September 2003, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings HK\$'000	Other assets HK\$'000	Total HK\$'000
At 30 September 2003			
Not later than one year	4,684	8,224	12,908
Later than one year but not later than five years	1,298	3,665	4,963
	5,982	11,889	17,871

At 31 March 2003

Not later than one year	3,925	12,293	16,218
Later than one year but not later than five years	1,305	2,704	4,009
	5,230	14,997	20,227

15 Subsequent events

On 3 November 2003, the Group obtained a syndicated bank loan facility of HK\$300,000,000. The facility is divided into two tranches. Tranche A is a five-year term loan facility of HK\$200,000,000, while Tranche B is a three-year revolving credit facility of HK\$100,000,000.

Independent Review Report

INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF NEXT MEDIA LIMITED

(incorporated in Hong Kong with limited liability)

Introduction

We have been instructed by the Company to review the interim financial accounts for the six months ended 30 September 2003 set out on pages 14 to 29.

Directors' responsibilities

The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") require the preparation of an interim financial report to be in compliance with Statements of Standard Accounting Practice No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants. The interim financial accounts are the responsibility of, and have been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards No. 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of management and applying analytical procedures to the interim financial accounts and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial accounts.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial accounts for the six months ended 30 September 2003.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 12 December 2003