

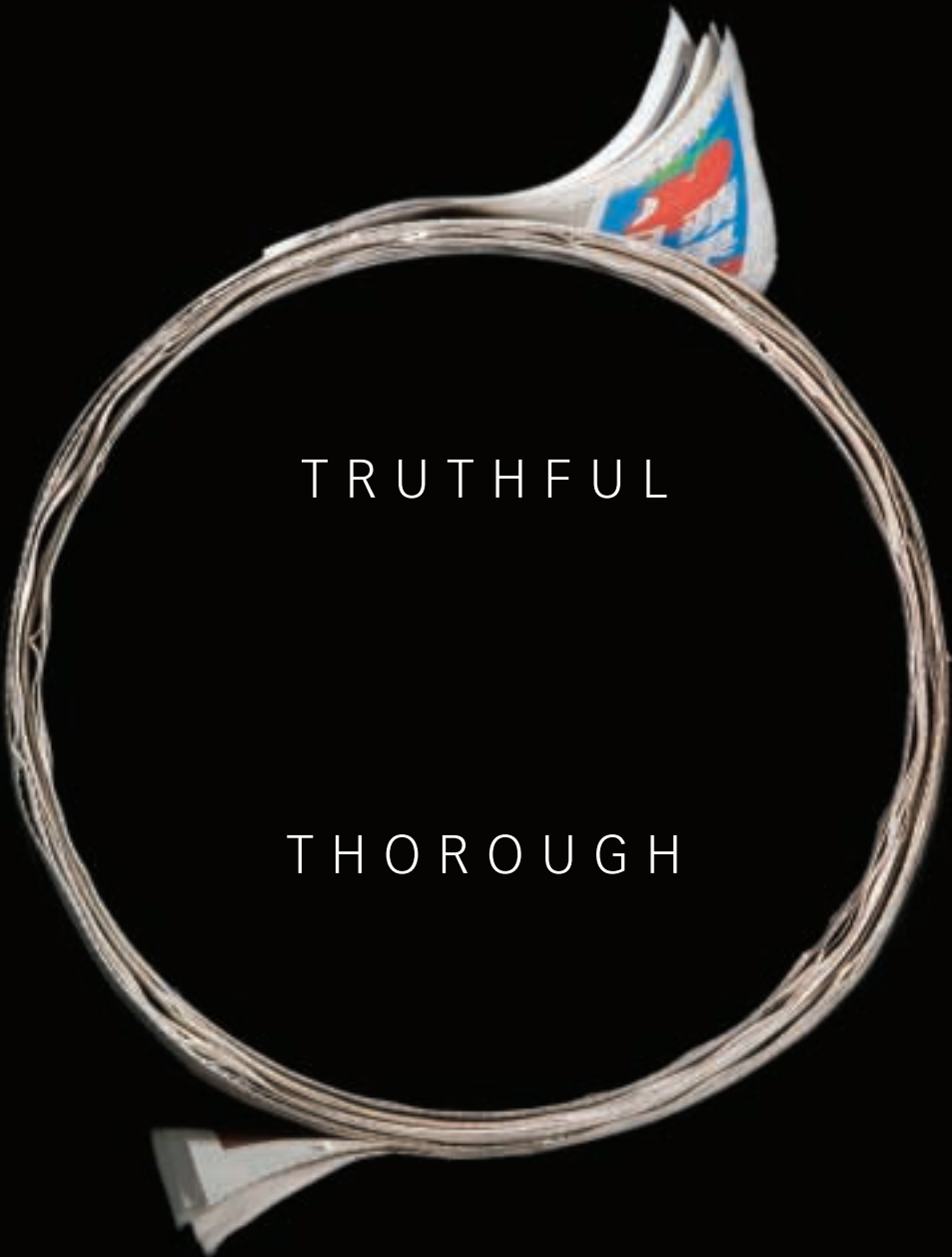


TWO PLATFORMS

ONE MISSION

Our core operations in Hong Kong remained stable during the six months ended 30 September 2006. *Apple Daily* and *Next Magazine*, both flagship publications of the Group, maintained their leading positions in their respective markets.

Our Taiwan business attained satisfactory performance. *Taiwan Apple Daily* retained its lead as the island's most widely read newspaper, while *Taiwan Next Magazine* maintained its leadership in the weeklies market. In October 2006, the Group broadened the range of its titles in Taiwan with the launch of *Sharp Daily*, the Group's first free daily newspaper.



TRUTHFUL

THOROUGH

Revenue

HK\$1,636.3 million

Net Profit

HK\$157.8 million



PENETRATING

INSIGHTFUL

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# Group Financial Highlights

	(Unaudited)	
	Six months ended 30 September	
	2006	2005
<b>Results</b>	<b>HK\$'000</b>	HK\$'000
Revenue	<b>1,636,286</b>	1,688,074
Earnings before interest, tax, depreciation, impairment and amortisation	<b>271,663</b>	361,424
Profit for the period	<b>157,755</b>	224,227
Basic earnings per share	<b>10.6 cents</b>	15.1 cents
Diluted earnings per share	<b>6.5 cents</b>	9.3 cents
	<b>(Unaudited)</b>	(Audited)
	<b>As at</b>	As at
	<b>30 September 2006</b>	31 March 2006
<b>Balance Sheet</b>	<b>HK'000</b>	HK\$'000
Current assets	<b>1,309,089</b>	1,485,088
Non-current assets	<b>3,019,936</b>	2,999,699
Total assets	<b>4,329,025</b>	4,484,787
Current liabilities	<b>581,189</b>	569,971
Non-current liabilities	<b>475,758</b>	515,219
Total liabilities	<b>1,056,947</b>	1,085,190
Net assets	<b>3,272,078</b>	3,399,597
<b>Ratio Analysis</b>		
Current ratio	<b>225.2%</b>	260.6%
Quick ratio	<b>191.5%</b>	223.0%
Gearing ratio	<b>5.0%</b>	5.8%

# Management Discussion & Analysis

The Board of Directors (the “Board” or the “Directors”) of Next Media Limited (“Next Media” or the “Company”) is pleased to present the unaudited interim results of the Company and its subsidiaries (together, the “Group”) for the six months ended 30 September 2006, together with the comparative figures for the corresponding period of last year.

## BUSINESSES

The Group is mainly engaged in publishing and printing newspapers, magazines and books. It is also engaged in the sale of newspaper and magazine advertising space in Hong Kong and Taiwan, printing and reprographic services, delivery of internet content, and sale of website advertising space.

## FINANCIAL RESULTS

The Group achieved a total revenue of HK\$1,636.3 million during the six months ended 30 September 2006. This represented a decrease of 3.1% on the figure of HK\$1,688.1 million for the same period in 2005. Much of this decrease was attributable to a decline in the revenue of *Apple Daily*. However, the revenue of all the Group’s other Hong Kong publications remained stable.

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The Group’s EBITDA totalled

**HK\$271.7 million**



A close-up, top-down view of a camera lens. The lens is dark and reflective, showing concentric rings and some light reflections. The words "CANDID" and "REAL" are overlaid in white, sans-serif, all-caps text. "CANDID" is positioned above "REAL".

CANDID

REAL

The media and publication industry was affected by a generally negative business environment during the six months ended 30 September 2006. The most notable of these were a reduction in advertising expenditure in Taiwan, the growing popularity of online media and, most evidently, fierce competition from free dailies in Hong Kong.

Continuous support from readers coupled with the commitment and dedication of our management team have, nonetheless, enabled the Group to achieve stable results despite of our mired growth. Our performance was in line with market trends, having even outperformed our peers in certain areas.

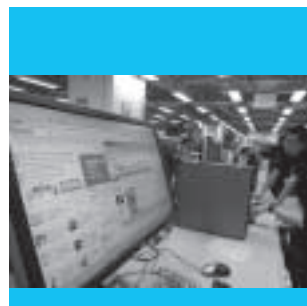
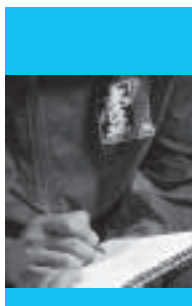
The Group's earnings totalled HK\$271.7 million before interest, tax, depreciation, impairment and amortisation, a decline of 24.8% over the figure of HK\$361.4 million for the corresponding period of 2005. Basic earnings per share were HK10.6 cents, compared with HK15.1 cents for the same period last year.

The Group also recorded an unaudited consolidated profit of HK\$157.8 million, a reduction of 29.6% on the figure of HK\$224.2 million for the corresponding period in 2005. This was mainly the result of a fall in the profit of *Apple Daily*.

### NEWSPAPERS PUBLICATION AND PRINTING DIVISION

Hong Kong's economy remained buoyant during the period under review. The unemployment rate decreased and market sentiment continued to improve, while consumer spending stayed steady.

Taiwan's economic conditions were broadly favourable, despite some political uncertainties and a government credit squeeze that had a strong impact on the banking and retail sectors, as well as on advertising spending.



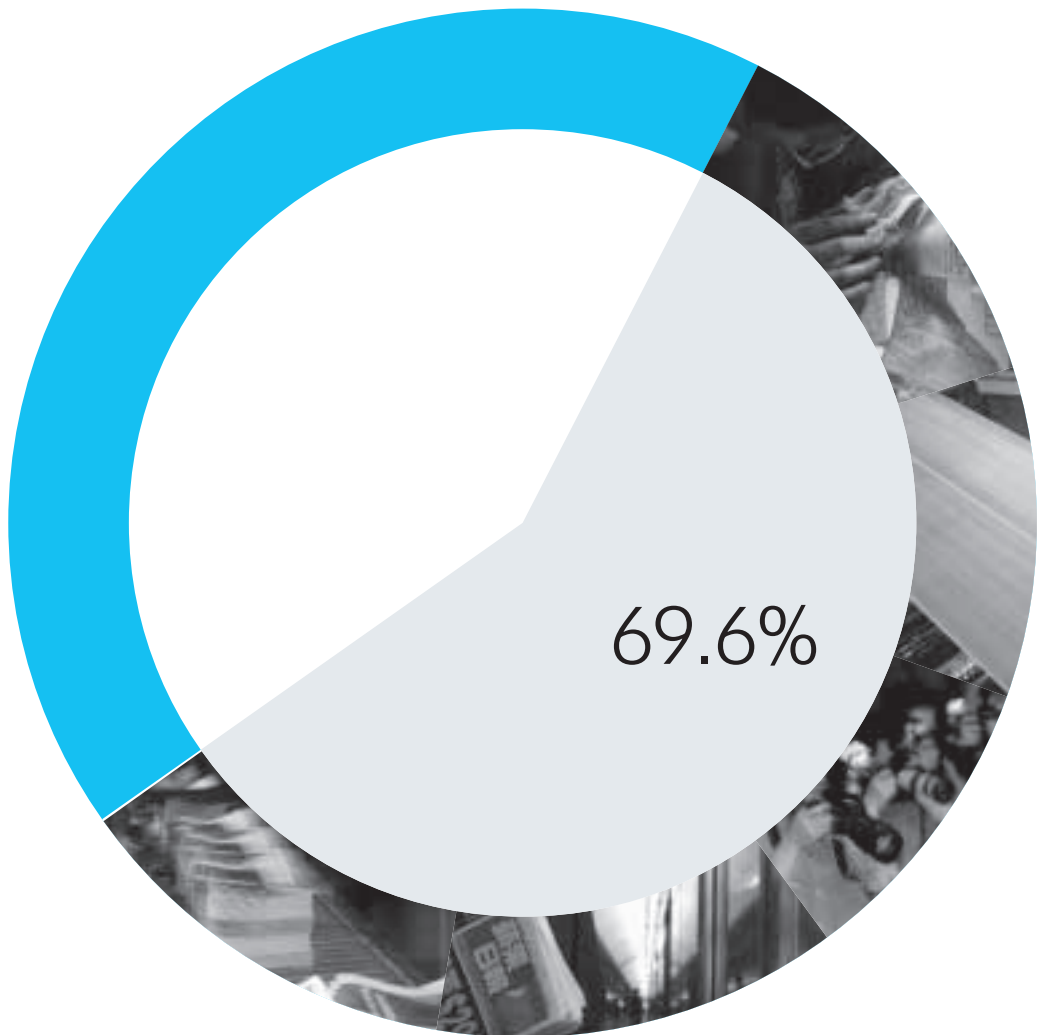
Most of the Newspapers Publication and Printing Division's revenue was attributable to *Apple Daily* and *Taiwan Apple Daily*. In the period under review, the Division achieved a revenue of HK\$1,138.7 million, an increase of 0.9% on the figure of HK\$1,128.3 million during the corresponding period last year. Its segment profit was HK\$123.0 million, compared with HK\$126.3 million in the first half of 2005, a drop of 2.6%.

*Apple Daily* remained Hong Kong's No. 2 daily newspaper, in terms of sales and readership, and it had a market share of 22% among readers aged over 12. Even so, fierce competition – especially from the city's free daily newspapers, a price reduction by one paid daily, and the growing popularity of online media – had an impact on these figures. Between January and June 2006, the newspaper sold an average of 297,289 copies a day, a decline of 13.4% from the figure of 343,187 copies in the same period last year<sup>1</sup>, while, its average daily readership figure fell by 9.7%, from 1,327,000 to 1,198,000<sup>2</sup>.

The downturn in advertising expenditure in Hong Kong affected the financial performance of *Apple Daily*. Its advertising revenue in the period under review was HK\$327.9 million, compared with HK\$383.3 million in the same period of 2005, a decline of 14.5%.

The average daily sales of *Taiwan Apple Daily*  
in the first half of 2006 were

495,894 copies



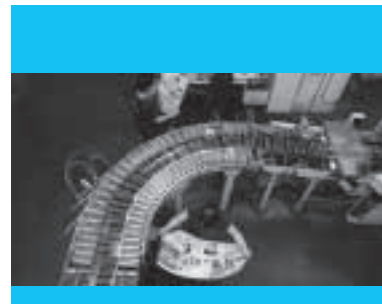
The revenue of the Newspapers Publication and Printing Division amounted to HK\$1,138.7 million, which was mainly attributable to *Apple Daily* and *Taiwan Apple Daily*, representing 69.6% of the total revenue of the Group.

*Taiwan Apple Daily* retained its lead as the island's most widely read daily. Subsequent to an increase in cover price from NT\$10 to NT\$15, its average daily sales decreased from 531,434 in the first six months of 2005 to 495,894 during the same period of 2006<sup>3</sup>, and its readership slipped from 2,637,000 to 2,625,000<sup>4</sup>. Its revenue in the period under review amounted to HK\$561.0 million, compared with HK\$482.3 million in the same period of 2005, an increase of 16.3%.

Revenue of the Group's external Hong Kong newspaper printing business during the period under review totalled HK\$57.1 million, an increase of 36.6% on the figure of HK\$41.8 million in the same period of 2005. This was mainly attributable to additional revenue and profit generated by new printing customers.

### **BOOKS AND MAGAZINES PUBLICATION DIVISION**

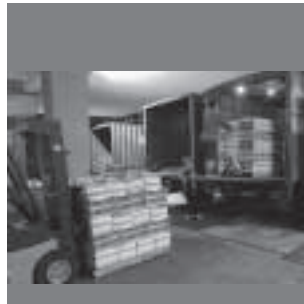
The Books and Magazines Publication Division achieved a reasonable performance in the face of fierce market competition. Its revenue during the six months ended 30 September 2006 was HK\$425.8 million, a decrease of 10.9% on the figure of HK\$477.7 million during the same period of 2005. The main factor for this trend was strong competition, which affected both the circulation sales and advertising income of books and magazines.



*Next Magazine* generated HK\$132.1 million in revenue, a decrease of 12.4% compared with the figure of HK\$150.8 million in the same period last year. It maintained its status as Hong Kong's second most widely read weekly publication. Although its net circulation declined from a weekly average of 139,197 copies in the six months ended 30 June 2005 to 130,187 during the same period of 2006<sup>1</sup>, its readership increased from an average of 515,000 in 2005 to 530,000 during the first six months of 2006<sup>2</sup>.

The revenue of the *Sudden Weekly Bundle* decreased to HK\$105.2 million during the six months up to 30 September 2006, compared with the HK\$123.8 million it generated in the same period of 2005. Despite a slight fall in its sales figures, from an average of 195,706 a week in the first six months of 2005 to 190,406 in the same period of 2006<sup>2</sup>, its readership increased from 563,000 to 667,000 in the first half of 2006<sup>2</sup>, and it remained the best-selling and most widely read Hong Kong weekly magazine.

*Easy Finder Bundle*, one of the most popular infotainment weeklies among Hong Kong youngsters, experienced a decrease in its revenue, which amounted to HK\$65.3 million in the six months to 30 September 2006, compared with HK\$75.9 million in the same period of 2005. It sold an average of 94,998 copies a week in the first six months of 2006, compared with 99,489 in the same period of 2005<sup>1</sup>, while its readership grew to 343,000, up from 294,000<sup>2</sup>.



*Taiwan Next Magazine* remained the island's best-selling and most widely read weekly. The magazine's revenue totalled HK\$122.7 million in the six months ended 30 September 2006, compared with HK\$126.4 million in the same period last year, a decrease of 2.9%. It achieved average weekly sales of 134,051 copies between January and June 2006, compared with 142,087 copies in the same period of 2005<sup>3</sup>. Meanwhile, its readership averaged 1,350,000, compared with 1,650,000 a year earlier<sup>4</sup>.

### **BOOKS AND MAGAZINES PRINTING DIVISION**

The Books and Magazines Printing Division continued to contribute to the Group's results. Despite strong price competition within the printing industry, both regionally and worldwide, the Division achieved a revenue of HK\$141.7 million before the elimination of inter-segment transactions of HK\$85.4 million during the six months ended 30 September 2006, compared with a figure of HK\$166.9 million in the same period of last year, a decrease of 15.1%. It also recorded HK\$15.7 million in segment profit, a drop of 36.2% over the figure of HK\$24.6 million for the corresponding period of 2005.

The Division upheld its high reputation for quality within the printing industry; and it is expected to maintain its status as a source of stable revenue and profit for the Group.

### **INTERNET DIVISION**

The Internet Division's business remained stable. Its revenue during the period under review was HK\$15.5 million, an increase of 6.2% from the figure of HK\$14.6 million in the same months of 2005, while its segment profit increased to HK\$7.1 million, a 20.3% rise over the figure of HK\$5.9 million in the corresponding period of last year. To meet demand created by the growing popularity of online media, the Division has increased the size of its team and considerably expanded the content of its portal.



## FUTURE PROSPECTS AND OUTLOOK

The Group believes that Hong Kong's general economic outlook will remain stable in the coming months, and that its business environment will likewise be favourable. Taiwan's economic prospects also look positive, despite the impact of the government's credit squeeze on consumer spending, and some political uncertainties.

In the light of these factors, the Group will maintain its strategy of optimising the established strength and reputation of its core businesses in Hong Kong, while continuing to look to the Taiwan market for potential substantial growth, in terms of both revenue and profit.

While further developing its existing publications in Taiwan, the Group also launched *Sharp Daily*, the Group's first free daily newspaper, during October 2006. The initial print run of 160,000 copies is being distributed to the public in the Taipei area. The Group believes this new daily will appeal to readers and advertisers alike; and it is aggressively and competitively marketing advertising space in its pages.

### SOURCES:

- 1 Hong Kong Audit Bureau of Circulations Ltd.
- 2 2006 Nielsen Media Index: Hong Kong Report (July 2005-June 2006)
- 3 The Audit Bureau of Circulations, R.O.C.
- 4 Media Index (Jan-June 2006), Nielsen Media Research, Taiwan



## LIQUIDITY AND FINANCIAL RESOURCES

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

As at 30 September 2006, the Group had banking facilities totalling HK\$425.9 million available, of which HK\$220.6 million had been utilised. All bank borrowings bear interest at floating rates. There is no seasonality for its borrowing requirements. The Group's bank borrowings were denominated solely in New Taiwanese Dollars.

On the same date, the Group had HK\$486.3 million in bank balances and cash reserves. The current ratio was 225.2%, compared to 260.6% as at 31 March 2006. The gearing ratio of the Group as at 30 September 2006, calculated by dividing long-term liabilities (including current portions) by total asset value, decreased to 5.0%, compared with 5.8%, as at 31 March 2006.

## ASSETS PLEDGED

As at 30 September 2006, the Group had pledged its Taiwan properties and certain printing equipment in Hong Kong and Taiwan with an aggregate carrying value of HK\$644.1 million to various banks as security for bank loans and general banking facilities granted to the Group.



To cater for the Group's future development, Apple Daily Limited, one of its subsidiaries, has arranged a four-year syndication for HK\$240.0 million on a club-deal basis. The deal involved the pledge of further properties and printing equipment with a carrying value as at 30 September 2006 of HK\$362.2 million. It was closed and signed on 9 October 2006 with three major banks in Hong Kong, all of which participated on an equal-footing status.

### **EXCHANGE EXPOSURE AND CAPITAL EXPENDITURE**

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

The Group's strategy is to reduce its exchange rate exposure by arranging local currency bank loans. To this end, the Group arranged a four-year term loan for NT\$1.2 billion with local banks in Taiwan, and this loan was fully drawn down in April and June 2005. The Group's net currency exposure as at 30 September 2006 was NT\$4,690.6 million (the equivalent of about HK\$1,104.2 million). The Group will closely monitor its overall currency exposure and, when considered appropriate, it will further hedge against such exposure.



During the six months ended 30 September 2006, the Group's capital expenditure amounted to HK\$126.9 million, including HK\$107.5 million for its Taiwan operations. As at 30 September 2006, the capital expenditure committed for its operations amounted to HK\$8.2 million, including HK\$5.9 million for its Taiwan operations.

### SHARE CAPITAL STRUCTURE

During the period under review, 185,600 ordinary shares with a par value of HK\$1.00 each were issued as a result of the exercise of certain share options at an exercise price of HK\$1.67 per share.

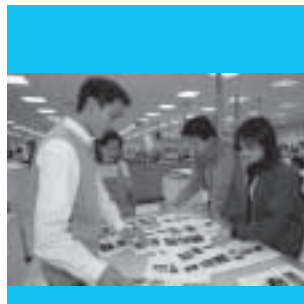
As at 30 September 2006, the total issued share capital of the Company was HK\$3,101,828,881 divided into 1,491,828,881 ordinary shares with a par value of HK\$1.00 each and 920,000,000 preference shares with a par value of HK\$1.75 each.

### CONVERSION OF PREFERENCE SHARES

On 5 October 2006, Mr. Lai Chee Ying, Jimmy ("Mr. Lai") converted 920,000,000 preference shares into 920,000,000 new ordinary shares at the conversion price of HK\$1.75 per new ordinary share (the "Conversion"). As a result of the Conversion, the total number of issued ordinary shares has increased to 2,411,828,881 and Mr. Lai's shareholding in the Company has increased to 73.93% of the issued ordinary share capital of the Company as enlarged by the Conversion.

### CONTINGENT LIABILITIES

As at 30 September 2006, the Group had contingent liabilities in respect of a number of litigation proceedings arising from its publishing business in Hong Kong and Taiwan. In addition, the Group had a dispute with UDL Contracting Limited – the contractor assigned to construct the printing facility of a subsidiary, Apple Daily Printing Limited – over amounts payable in respect to the construction of the printing facility in Tseung Kwan O. This dispute is currently under arbitration, and the final outcome is uncertain.

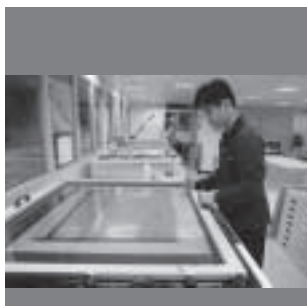


In connection with the acquisition of Database Gateway Limited in October 2001 (the "Acquisition"), Mr. Lai has undertaken to provide unlimited personal indemnities (the "Indemnity") to the Group against all payments, claims, suits, damages and settlement payments and associated costs and expenses in relation to certain legal proceedings (including the dispute with UDL Contracting Limited) involving the businesses acquired through the Acquisition. In relation to the Indemnity, Mr. Lai has procured a bank guarantee of HK\$60.0 million in favour of the Group in respect of his obligations under the Indemnity. Having taken the advice of the Group's legal counsel and the Indemnity given by Mr. Lai into consideration, the Directors believe that any ultimate liability under these proceedings will not have a material impact on the Group's financial position.

As at 30 September 2006, the Company had contingent liabilities in relation to corporate guarantees given by the Company to financial institutions for facilities utilised by certain of its subsidiaries amounting to HK\$77.3 million.

#### **EMPLOYEES AND REMUNERATION POLICY**

As at 30 September 2006, the Group employed a total of 3,572 employees, of whom 1,929 employees were in Hong Kong, 1,636 employees were in Taiwan, and 7 employees were in Canada. There were no material changes to the policies relating to employee remuneration, bonuses, share options schemes and staff development disclosed in the 2005/06 annual report. Total staff costs for the six months ended 30 September 2006 amounted to HK\$528.4 million (for the six months ended 30 September 2005: HK\$500.7 million).



## DIVIDEND

The Directors have declared an interim dividend of HK4.0 cents per ordinary share (2005/06: an interim dividend of HK5.0 cents and a special dividend of HK25.0 cents), amounting to HK\$96.5 million. It is payable to shareholders whose names appear on the Register of Members of the Company on 20 December 2006.

## BOOK CLOSURE

The Register of Members of the Company will be closed from 18 to 20 December 2006, both days inclusive, during which period no transfer of ordinary shares will be effected. All transfers of ordinary shares accompanied by relevant ordinary share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investors Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:00 p.m. on 15 December 2006 in order to qualify for the interim dividend. Dividend warrants will be despatched on or around 28 December 2006.

## FORWARD LOOKING STATEMENTS

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





TRANSPARENT

STRAIGHT-FORWARD

Maintaining our transparency and a high standard in corporate governance has always been one of our top priorities.

The Board is committed to promote and implement sound corporate governance practices throughout every level of our organization.



# Corporate Governance

## **BOARD OF DIRECTORS**

As at 30 September 2006, the Board was composed of seven Directors – four Executive Directors and three Independent Non-executive Directors. The Executive Directors were Mr. Lai, who is also the Executive Chairman; Mr. Ting Ka Yu, Stephen; Mr. Ip Yut Kin and Mr. Tung Chuen Cheuk. The Independent Non-executive Directors (“INEDs”) were Mr. Yeh V-Nee; Mr. Fok Kwong Hang, Terry, and Dr. Kao Kuen, Charles. Detailed profiles of the seven Directors are posted on the Company’s website <http://www.nextmedia.com>.

The three INEDs also served on the Audit Committee and Remuneration Committee. They participated in all Board meetings of the Company to bring their independent judgment to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct.

## **BOARD ACTIVITIES**

The Board held two meetings during the six months ended 30 September 2006. With the exception of Mr. Tung Chuen Cheuk, who was only able to attend one meeting, all the Directors attended both meetings.

## **AUDIT COMMITTEE**

The Audit Committee was comprised entirely of three INEDs of the Company and chaired by Mr. Yeh V-Nee. The role and terms of reference of the Audit Committee can be found in the Company’s website with full details.

During the six months ended 30 September 2006, the Audit Committee held two meetings and all the members attended both meetings. The Audit Committee reviewed with the management the scope of services provided by existing external auditors regarding financial reporting, internal control and risk management systems, and the unaudited condensed consolidated financial statements for the six months ended 30 September 2006. Deloitte Touche Tohmatsu, the Group’s external auditors also reviewed the unaudited condensed consolidated financial statements for the six months ended 30 September 2006 in accordance with the Statement of Auditing Standards 700 “Engagements to review interim financial reports” issued by the Hong Kong Institute of Certified Public Accountants.

## REMUNERATION COMMITTEE

The Remuneration Committee comprised five members, of whom three were INEDs and the other two were Executive Directors – Mr. Ting Ka Yu, Stephen, and Mr. Tung Chuen Cheuk. Full details of the Remuneration Committee, including its functions and terms of reference, can be found at <http://www.nextmedia.com>.

During the six months ended 30 September 2006, the Remuneration Committee reviewed and approved the employment contract of Mr. Lai with a subsidiary of the Group for a term of three years commencing on 1 September 2006.

## INTERNAL CONTROL

The Board acknowledges its responsibility to maintain sound and effective internal controls to safeguard the Group's assets and shareholders' interests. Monthly management meetings are held to review the Company's financial performance and strategic planning objectives. Stringent internal control policies and procedures are in place to ensure that transactions are carried out with proper approval from the senior management. The Board conducts half-year reviews of its internal control systems, particularly in the areas of financial reporting, operational controls, compliance and risk management, with the involvement of the Audit Committee and assistance of the external auditors. The Board also took steps to engage a professional firm to enhance its corporate governance framework further, in terms of risk management, and to conduct a review of the effectiveness of the Group's internal control system for the year ending 31 March 2007.

## INVESTOR RELATIONS

The Company has provided various channels to communicate with its shareholders and investors. It disseminates information in a timely manner through the publication of press releases, formal announcements and corporate documents. The Company's annual general meeting provides a forum for Board members and shareholders to exchange opinions and ideas. The Company's 2006 Annual General Meeting was held on 19 July 2006, during which all resolutions taken were voted on by poll and the result of each poll was subsequently published in local newspapers and posted on the Company's website.

Investors and shareholders can obtain updated information about the Group via the Company's website. They can also communicate directly with the Company by sending correspondence marked "for the attention of the Company Secretary" to the Company's registered office address, or via its designated investor relations e-mail account at: *ir@nextmedia.com*.

### **CODE ON CORPORATE GOVERNANCE PRACTICES (THE "CODE")**

During the six months ended 30 September 2006, the Company fully complied with the applicable provisions of the Code, except for the following deviations:

#### ***Code provision A.2.1***

Under Code provision A.2.1, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual.

Mr. Lai assumes the role of Executive Chairman of the Group. The Company does not at present have any officer with the title "Chief Executive Officer". Mr. Lai is responsible for formulating the Group's strategic directions and policies and overseeing its development. Each Executive Director of the Company is delegated with individual responsibilities to monitor the operations of certain business units and to implement strategies and policies. The Board considers this present structure works effectively and does not impair the balance of power and authority.

#### ***Code provision E.1.2***

Under Code provision E.1.2, the Chairman of the Board shall attend the Company's annual general meeting.

Mr. Lai was unable to attend the 2006 Annual General Meeting held on 19 July 2006 as he had another business engagement.

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). All Directors have confirmed, following specific enquiries by the Company, that they have fully complied with the required standard of the Model Code throughout the period under review.

# Corporate Information

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**Directors**

Lai Chee Ying, Jimmy (Chairman)  
Ting Ka Yu, Stephen  
Ip Yut Kin  
Tung Chuen Cheuk  
Yeh V-Nee\*  
Fok Kwong Hang, Terry\*  
Kao Kuen, Charles\*

\* Independent Non-executive Directors

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**Authorised Representatives**

Ting Ka Yu, Stephen  
Tung Chuen Cheuk

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**Company Secretary**

Wong Shuk Ha, Cat

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**Auditors**

Deloitte Touche Tohmatsu

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**Principal Bankers**

Standard Chartered Bank (Hong Kong) Limited  
DBS Bank (Hong Kong) Limited  
The Shanghai Commercial & Savings Bank Limited  
The Hongkong and Shanghai Banking Corporation Limited  
Sumitomo Mitsui Banking Corporation  
Fortis Bank  
Bank of America (Asia) Limited

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**Legal Advisors**

Simmons & Simmons

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**Registered Office**

8 Chun Ying Street  
Tseung Kwan O Industrial Estate West  
Tseung Kwan O  
New Territories  
Hong Kong

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**Share Registrars and Transfer Office**

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716  
17/F., Hopewell Centre  
183 Queen's Road East  
Hong Kong

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**Shareholders' Enquiries**

Please contact the Company Secretary by mail to the Company's registered office address or by fax at (852) 2247 4154 or by e-mail at [ir@nextmedia.com](mailto:ir@nextmedia.com)

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**Website**

<http://www.nextmedia.com>

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# Share Information

As at 30 September 2006

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## Shareholders of Ordinary Shares

Mr. Lai	57.86%
Directors other than Mr. Lai	1.16%
Others	40.98%

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## Authorised Share Capital

HK\$4,600,000,000

Ordinary Shares	2,570,000,000 Shares at HK\$1.00 each
2% Convertible Non-voting Non-cumulative Preference Shares (Non-listed)	1,160,000,000 Shares at HK\$1.75 each

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## Issued Share Capital

HK\$3,101,828,881

Ordinary Shares	1,491,828,881 Shares at HK\$1.00 each
2% Convertible Non-voting Non-cumulative Preference Shares (non-listed)	920,000,000 Shares at HK\$1.75 each

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## Share Options for Ordinary Shares granted and unexpired

at an exercise price of HK\$1.67 each	3,406,000 Option Shares
at an exercise price of HK\$3.325 each	1,000,000 Option Shares
at an exercise price of HK\$3.75 each	9,100,000 Option Shares
at an exercise price of HK\$4.35 each	1,000,000 Option Shares
at an exercise price of HK\$4.20 each	1,000,000 Option Shares

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**Market Capitalisation**

at HK\$4.25 per Ordinary Share  
(closing price on 29 September 2006)

HK\$6.34 billion

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**Stock Code**

The Stock Exchange of Hong Kong Limited  
Main Board

282

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**Board Lot**

2,000 Ordinary Shares

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## Other Information

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2006, the Directors and the 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 (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 in the Listing Rules:

#### (a) Interests in the Company

The table below sets out the long positions in the shares and underlying shares of each Director and the Chief Executive of the Company:

Name of Director/ Chief Executive	Personal interests	Number of shares		Other interests	Interests in underlying shares/equity derivatives	Total shares	Percentage of issued share capital
		Family interests	Corporate interests				
<b>1. Ordinary Shares</b>							
Mr. Lai	793,902,535 (Note 5)	–	4,692,400	64,538,230	920,000,000 (Note 1)	1,783,133,165	119.53 (Note 4)
Mr. Ting Ka Yu, Stephen	90,314	–	–	–	1,618,000 (Note 2)	1,708,314	0.11
Mr. Ip Yut Kin	9,432,377	2,540,000	–	–	–	11,972,377	0.80
Mr. Tung Chuen Cheuk	3,472,800	30,000	–	–	3,000,000 (Note 2)	6,502,800	0.44
Mr. Yeh V-Nee	300,000	–	–	–	–	300,000	0.02
Mr. Fok Kwong Hang, Terry	1,500,000	–	–	–	–	1,500,000	0.10
<b>2. Preference Shares</b>							
Mr. Lai	920,000,000 (Note 1)	–	–	–	–	920,000,000	100.00



### **(b) Interests in Associated Corporations**

The table below sets out the long positions in underlying shares of the Company's associated corporations (within the meaning of Part XV of the SFO) of each Director and the Chief Executive of the Company:

#### **Apple Daily Publication Development Limited**

Name of Director/ Chief Executive	Personal interests	Number of shares		Other interests	Interests in underlying shares/equity derivatives	Total shares	Percentage of issued share capital
		Family interests	Corporate interests				
<b>Ordinary Shares</b>							
Mr. Ting Ka Yu, Stephen	–	–	–	–	100,000 (Note 3)	100,000	1.00
Mr. Ip Yut Kin	–	–	–	–	200,000 (Note 3)	200,000	2.00
Mr. Tung Chuen Cheuk	–	–	–	–	50,000 (Note 3)	50,000	0.50

Notes:

- (1) These interests represented the 2% convertible non-voting non-cumulative preference shares of HK\$1.75 each (the "Preference Shares") held by Mr. Lai which are convertible into fully paid ordinary shares of HK\$1.00 each ("Ordinary Shares") at the conversion price of HK\$1.75 per new Ordinary Share during a period of five years from 26 October 2001. On 5 October 2006, Mr. Lai converted 920,000,000 Preference Shares into 920,000,000 new Ordinary Shares at the conversion price of HK\$1.75 per new Ordinary Share (the "Conversion"). As a result of the Conversion, the total number of issued Ordinary Shares has increased to 2,411,828,881, and Mr. Lai's shareholding in the Company has increased to 73.93% of the issued Ordinary Share capital of the Company as enlarged by the Conversion.
- (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 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".
- (4) This percentage figure is calculated on the assumption that upon the conversion of 920,000,000 Preference Shares into 920,000,000 Ordinary Shares by Mr. Lai, his ordinary shareholding would be increased to 1,783,133,165 Ordinary Shares, representing approximately 119.53% of the total issued Ordinary Share capital of 1,491,828,881 Ordinary Shares as at 30 September 2006.
- (5) On 20 September 2006, Mr. Lai entered into a placing agreement with CLSA Limited in respect of the placement of 180,000,000 Ordinary Shares (the "Placing Shares") to independent investors at a placing price of not less than HK\$4.15 per Placing Share.

Save as disclosed above and in the section headed “Disclosable Interests and Short Positions of Shareholders under the SFO” below, none of the Directors and the 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 2006.

### **DISCLOSABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO**

As at 30 September 2006, the following persons (other than a person who is a Director or the 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:

<b>Name of shareholder</b>	<b>Number of shares/ underlying shares held</b>	<b>Percentage of issued share capital</b>
Li Wan Kam, Teresa	1,783,133,165 (Note)	119.53
Marathon Asset Management Ltd.	86,511,359	5.80

Note: These represent the same total number 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 2006.

### **SHARE OPTIONS**

#### **(a) Share Option Scheme of the Company**

The share option scheme of the Company was adopted on 29 December 2000 (the “2000 Share Option Scheme”) and it was subsequently amended on 31 July 2002 to comply with the requirements under Chapter 17 of the Listing Rules.

The table below sets out movements in the share options granted under the 2000 Share Option Scheme during the period:

## 2000 Share Option Scheme

Name or category of participant	No. of options as at 01/04/06	Date of grant	Exercise price per share	Exercisable period	No. of options granted during the period	No. of options exercised during the period	No. of options lapsed during the period	Outstanding as at 30/09/06
<b>Directors</b>								
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	3,000,000	18/01/2006	HK\$3.75	19/01/2007-28/12/2010	-	-	-	3,000,000
<b>Employees</b>								
In aggregate	1,973,600	18/03/2002	HK\$1.67	19/03/2003-28/12/2010	-	185,600	-	1,788,000
	1,000,000	24/08/2005	HK\$3.325	25/08/2006-28/12/2010	-	-	-	1,000,000
	6,100,000	18/01/2006	HK\$3.75	19/01/2007-28/12/2010	-	-	-	6,100,000
	1,000,000	01/03/2006	HK\$4.35	02/03/2007-28/12/2010	-	-	-	1,000,000
	-	26/06/2006	HK\$4.20	27/06/2007-28/12/2010	1,000,000	-	-	1,000,000
<b>Total outstanding</b>								15,506,000

Note: The weighted average closing price immediately before the dates on which the options were exercised was HK\$4.30.

The options granted under the 2000 Share Option Scheme (except those options granted on 1 March 2006) 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

The options granted under the 2000 Share Option Scheme on 1 March 2006 vest as follows:

On 1st anniversary of the date of grant	20% vested
On 2nd anniversary of the date of grant	further 20% vested
On 3rd anniversary of the date of grant	further 20% vested
On 4th anniversary of the date of grant	further 20% vested
The seven-month period after the 4th anniversary of the date of grant and before the expiry of the 2000 Share Option Scheme	remaining 20% vested

No options lapsed or were cancelled during the period.

The Company has used the Binomial Model for assessing the fair value of the share option granted during the six months ended 30 September 2006. It is an appropriate model to estimate the fair value of an option that can be exercised before the expiry of the option period. The assumptions in the calculation are:

- Risk Free Rate – 4.65% per annum
- Expected Volatility – 40% per annum
- Expected Dividend Yield – 2% per annum
- Sub-Optimal Early Exercise Factor – 1.5 times
- Expected Rate of Post Vesting Withdrawal – 5% per annum

According to the Binomial Model, the value of the option granted on 26 June 2006 was HK\$1,276,000. This amount is recognized in the consolidated income statement for the six months ended 30 September 2006 in respect of the value of the option granted during the period. For details, please refer to note 9 to the Condensed Consolidated Financial Statements.

In calculating the fair value of the option, no allowance has been made for forfeiture prior to vesting. It should be noted that the value of an option varies with different variables of certain subjective assumptions; any change in variables so adopted may materially affect the fair value estimate.

### **(b) Share Option Schemes of Subsidiaries**

On 31 July 2002, Apple Daily Publication Development Limited (“ADPDL”) and Next Media Publishing Limited (“NMPL”), which are wholly owned subsidiaries of the Company, both adopted a share option scheme (together the “Subsidiary Share Option Schemes”), which complied with the requirements under Chapter 17 of the Listing Rules.

On 28 July 2004, the shareholders of ADPDL and the shareholders of the Company approved to refresh the scheme mandate limit of the ADPDL share option scheme up to a new 10% limit. As at the date of this interim report, the total number of shares that may be issued upon exercise of all further options to be granted under the Subsidiary Share Option Schemes of ADPDL and NMPL are 885,000 and 550,000, respectively, representing 8.85% and 5.5% of the issued share capital of ADPDL and NMPL.

The tables below set out movements in the share options granted under the Subsidiary Share Option Schemes during the period:

#### **Apple Daily Publication Development Limited**

<b>Name or category of participant</b>	<b>No. of options as at 01/04/06</b>	<b>No. of options granted during the period</b>	<b>Date of grant</b>	<b>Exercise price per share</b>	<b>Exercisable period</b>	<b>No. of options lapsed during the period</b>	<b>Outstanding as at 30/09/06</b>
<b>Directors</b>							
Ting Ka Yu, Stephen	50,000	–	22/01/2003	(Note)	Not yet determined	–	50,000
	25,000	–	26/03/2003	(Note)	Not yet determined	–	25,000
	25,000	–	11/01/2006	(Note)	Not yet determined	–	25,000
Ip Yut Kin	100,000	–	22/01/2003	(Note)	Not yet determined	–	100,000
	50,000	–	26/01/2004	(Note)	Not yet determined	–	50,000
	50,000	–	11/01/2006	(Note)	Not yet determined	–	50,000
Tung Chuen Cheuk	50,000	–	26/03/2003	(Note)	Not yet determined	–	50,000

Other Information (continued)

Name or category of participant	No. of options as at 01/04/06	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 30/09/06
<b>Employees</b>							
In aggregate	205,000	–	08/01/2003	(Note)	Not yet determined	–	205,000
	50,000	–	26/03/2003	(Note)	Not yet determined	–	50,000
	50,000	–	23/04/2003	(Note)	Not yet determined	–	50,000
	25,000	–	05/11/2003	(Note)	Not yet determined	–	25,000
	50,000	–	19/04/2004	(Note)	Not yet determined	–	50,000
	40,000	–	28/12/2005	(Note)	Not yet determined	–	40,000
In aggregate and total outstanding							770,000

**Next Media Publishing Limited**

Name or category of participant	No. of options as at 01/04/06	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 30/09/06
<b>Employees</b>							
In aggregate	75,000	–	08/01/2003	(Note)	Not yet determined	–	75,000
	100,000	–	12/01/2004	(Note)	Not yet determined	–	100,000
	175,000	–	03/01/2005	(Note)	Not yet determined	–	175,000
In aggregate and total outstanding							350,000

Note: 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.

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

The Company has assessed the fair value of the share options granted under the Subsidiary Share Option Schemes and considered it to be minimal and with no effect on the Group’s profit for the six months ended 30 September 2006.

### **PUBLIC FLOAT**

Based on information that is publicly available to the Company and within the knowledge of the Directors, the percentage of the Shares in public hands exceed 25% as at 30 September 2006.

### **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 2006.

By order of the Board

**Ting Ka Yu, Stephen**

*Director*

Hong Kong, 27 November 2006

# Condensed Consolidated Income Statement

For the six months ended 30 September 2006

	Notes	Six months ended 30 September	
		2006 HK\$'000 (unaudited)	2005 HK\$'000 (unaudited)
Revenue	4	1,636,286	1,688,074
Production costs		(699,822)	(725,339)
Other income	4	20,117	20,860
Staff cost		(528,392)	(500,653)
Depreciation of property, plant and equipment		(68,340)	(72,956)
Other expenses		(157,425)	(132,216)
Finance costs	6	(3,845)	(6,465)
Profit before taxation	7	198,579	271,305
Income tax expense	8	(40,824)	(47,078)
Profit for the period		157,755	224,227
Attributable to:			
Equity holders of the parent		157,755	224,227
Minority interests		–	–
		157,755	224,227
Dividends	10	300,729	–
Earnings per share	11		
Basic		10.6 cents	15.1 cents
Diluted		6.5 cents	9.3 cents



# Condensed Consolidated Balance Sheet

At 30 September 2006

	Notes	30 September 2006 HK\$'000 (unaudited)	31 March 2006 HK\$'000 (audited)
<b>NON-CURRENT ASSETS</b>			
Intangible assets	12	1,300,881	1,300,881
Property, plant and equipment	12	1,642,741	1,596,996
Prepaid lease payments	13	71,439	72,338
Deferred tax assets		1,741	3,572
Deposit for acquisition of property, plant and equipment		3,134	25,912
		<b>3,019,936</b>	2,999,699
<b>CURRENT ASSETS</b>			
Inventories		196,094	214,053
Accounts receivable, deposits and prepayments	15	624,864	592,624
Prepaid lease payments	13	1,797	1,797
Derivative financial instruments	16	–	170
Bank balances and cash		480,923	671,033
Restricted bank balances	14	5,411	5,411
		<b>1,309,089</b>	1,485,088
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued charges	17	479,943	450,931
Dividend payable		–	32,200
Obligations under finance leases	18	1,028	–
Current portion of bank borrowings	19	78,647	79,570
Taxation payable		21,571	7,270
		<b>581,189</b>	569,971
<b>NET CURRENT ASSETS</b>		<b>727,900</b>	915,117
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>3,747,836</b>	3,914,816
<b>NON-CURRENT LIABILITIES</b>			
Obligations under finance leases	18	1,063	–
Bank borrowings	19	138,727	180,834
Pensions obligations		19,949	19,662
Deferred tax liabilities		316,019	314,723
		<b>475,758</b>	515,219
<b>NET ASSETS</b>		<b>3,272,078</b>	3,399,597
<b>CAPITAL AND RESERVES</b>			
Share capital	20	3,101,829	3,101,643
Reserves		168,189	295,894
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>		<b>3,270,018</b>	3,397,537
<b>MINORITY INTERESTS</b>		<b>2,060</b>	2,060
<b>TOTAL EQUITY</b>		<b>3,272,078</b>	3,399,597

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2006

	Attributable to equity holders of the parent								
	Share capital HK\$'000	Share premium HK\$'000	Property revaluation reserve HK\$'000	Translation reserve HK\$'000	Share option reserve HK\$'000	Accumulated profits (loss) HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 April 2005	3,092,774	222,197	1,161	84,759	-	83,881	3,484,772	2,060	3,486,832
Currency realignment	-	-	-	(70,815)	-	-	(70,815)	-	(70,815)
Net expense recognised directly in equity	-	-	-	(70,815)	-	-	(70,815)	-	(70,815)
Profit for the period	-	-	-	-	-	224,227	224,227	-	224,227
Total recognised income and expense for the period	-	-	-	(70,815)	-	224,227	153,412	-	153,412
Employee share option benefits	-	-	-	-	64	-	64	-	64
Exercise of share options	3,130	2,097	-	-	-	-	5,227	-	5,227
At 30 September 2005 and 1 October 2005	3,095,904	224,294	1,161	13,944	64	308,108	3,643,475	2,060	3,645,535
Currency realignment	-	-	-	5,829	-	-	5,829	-	5,829
Profit for the period	-	-	-	-	-	216,539	216,539	-	216,539
Total recognised income and expense for the period	-	-	-	5,829	-	216,539	222,368	-	222,368
Employee share option benefits	-	-	-	-	1,476	-	1,476	-	1,476
Dividends	-	-	-	-	-	(479,367)	(479,367)	-	(479,367)
Exercise of share options	5,739	3,846	-	-	-	-	9,585	-	9,585
At 31 March 2006	3,101,643	228,140	1,161	19,773	1,540	45,280	3,397,537	2,060	3,399,597
Currency realignment	-	-	-	(20,746)	-	-	(20,746)	-	(20,746)
Profit for the period	-	-	-	-	-	157,755	157,755	-	157,755
Total recognised income and expense for the period	-	-	-	(20,746)	-	157,755	137,009	-	137,009
Employee share option benefits	-	-	-	-	3,691	-	3,691	-	3,691
Dividends	-	-	-	-	-	(268,529)	(268,529)	-	(268,529)
Exercise of share options	186	124	-	-	-	-	310	-	310
At 30 September 2006	3,101,829	228,264	1,161	(973)	5,231	(65,494)	3,270,018	2,060	3,272,078

# Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2006

	Six months ended 30 September	
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Net cash from operating activities	<b>250,146</b>	346,136
Net cash (used in) from investing activities		
Acquisition of property, plant and equipment	<b>(100,946)</b>	(19,193)
Interest income	<b>8,594</b>	8,166
Deposits for purchase of property, plant and equipment	<b>(3,134)</b>	(6,591)
Other investing cash flow	<b>1,315</b>	19,965
	<b>(94,171)</b>	2,347
Net cash (used in) from financing activities		
Dividend paid	<b>(300,729)</b>	–
Repayments of bank borrowings	<b>(43,030)</b>	(56,186)
New bank borrowings raised	–	280,505
Other financing cash flow	<b>(1,444)</b>	(1,238)
	<b>(345,203)</b>	223,081
Net (decrease) increase in cash and cash equivalents	<b>(189,228)</b>	571,564
Cash and cash equivalents at beginning of the period	<b>671,033</b>	593,361
Effect of foreign exchange rate changes	<b>(882)</b>	(12,794)
Cash and cash equivalents at end of the period	<b>480,923</b>	1,152,131
Analysis of cash and cash equivalents		
Bank balances and cash excluding restricted bank balances of approximately HK\$5,411,000 (At 30 September 2005: HK\$5,411,000)	<b>480,923</b>	1,152,131

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2006

## 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 and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost convention, except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Company and its subsidiaries’ (the “Group”) annual financial statements for the year ended 31 March 2006.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (“new HKFRSs”) issued by the HKICPA, which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs had no material effect on how the Group’s results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

## 3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The Group has not early applied the following new standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures <sup>1</sup>
HKFRS 7	Financial Instruments: Disclosures <sup>1</sup>
HK(IFRIC)-Int 8	Scope of HKFRS 2 <sup>2</sup>
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives <sup>3</sup>
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2007

<sup>2</sup> Effective for annual periods beginning on or after 1 May 2006

<sup>3</sup> Effective for annual periods beginning on or after 1 June 2006

<sup>4</sup> Effective for annual periods beginning on or after 1 November 2006

For the six months ended 30 September 2006

**4. 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, internet subscription, content provision and the sales of advertising space on websites. Revenue recognised during the period is as follows:

	Six months ended 30 September	
	2006 HK\$'000	2005 HK\$'000
Revenue		
Sales of newspapers	385,789	355,304
Sales of books and magazines	137,159	155,448
Newspapers advertising income	694,980	730,959
Books and magazines advertising income	288,660	322,267
Printing and reprographic service income	114,222	109,538
Internet subscription, content provision and advertising income	15,476	14,558
	<b>1,636,286</b>	1,688,074
Other income		
Sales of waste materials	9,960	9,400
Gains arising from changes in fair value of derivative financial instruments	–	453
Interest income on bank deposits	8,594	8,166
Rental income	796	810
Others	767	2,031
	<b>20,117</b>	20,860
Total	<b>1,656,403</b>	1,708,934

For the six months ended 30 September 2006

**5. SEGMENTAL INFORMATION**

The Group's primary format for reporting segment information is business segments. The Group's major business segments and their corresponding regions of operations are summarised below:

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

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

Six months ended 30 September 2006

	Newspapers publication and printing HK\$'000	Books and magazines publication HK\$'000	Books and magazines printing HK\$'000	Internet subscription, content provision and advertising HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>REVENUE</b>						
External sales	1,138,669	425,819	56,322	15,476	-	1,636,286
Inter-segment sales	-	-	85,426	-	(85,426)	-
	<b>1,138,669</b>	<b>425,819</b>	<b>141,748</b>	<b>15,476</b>	<b>(85,426)</b>	<b>1,636,286</b>
<b>RESULTS</b>						
Segment results	123,024	36,418	15,722	7,143	-	182,307
Other income						20,117
Finance costs						(3,845)
Profit before taxation						198,579
Income tax expense						(40,824)
Profit for the period						157,755

For the six months ended 30 September 2006

**5. SEGMENTAL INFORMATION** – continued

Six months ended 30 September 2005

	Newspapers publication and printing HK\$'000	Books and magazines publication HK\$'000	Books and magazines printing HK\$'000	Internet subscription, content provision and advertising HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>REVENUE</b>						
External sales	1,128,315	477,715	67,486	14,558	–	1,688,074
Inter-segment sales	–	–	99,418	–	(99,418)	–
	1,128,315	477,715	166,904	14,558	(99,418)	1,688,074
<b>RESULTS</b>						
Segment results	126,314	100,127	24,595	5,874	–	256,910
Other income						20,860
Finance costs						(6,465)
Profit before taxation						271,305
Income tax expense						(47,078)
Profit for the period						224,227

For the six months ended 30 September 2006

**5. SEGMENTAL INFORMATION** – continued**Secondary reporting format – geographical segments**

	<b>Six months ended 30 September 2006</b>		Six months ended 30 September 2005	
	<b>Revenue HK\$'000</b>	<b>Segment results HK\$'000</b>	Revenue HK\$'000	Segment results HK\$'000
Hong Kong	<b>908,468</b>	<b>131,813</b>	1,022,614	238,841
Taiwan	<b>683,713</b>	<b>33,284</b>	608,678	(5,110)
North America	<b>25,871</b>	<b>8,512</b>	37,452	14,009
Europe	<b>14,131</b>	<b>6,762</b>	13,845	6,494
Australasia	<b>3,713</b>	<b>1,802</b>	4,961	2,420
Others	<b>390</b>	<b>134</b>	524	256
	<b>1,636,286</b>	<b>182,307</b>	1,688,074	256,910
Other income		<b>20,117</b>		20,860
Finance costs		<b>(3,845)</b>		(6,465)
Profit before taxation		<b>198,579</b>		271,305

**6. FINANCE COSTS**

	Six months ended 30 September	
	<b>2006 HK\$'000</b>	2005 HK\$'000
Interest expense on bank borrowings wholly repayable within five years	<b>3,845</b>	6,465



For the six months ended 30 September 2006

**7. PROFIT BEFORE TAXATION**

	Six months ended 30 September	
	2006	2005
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging:		
Cost of raw materials recognised as an expense	623,416	653,421
Impairment loss on accounts receivable	11,953	6,066
Operating lease expenses on:		
Properties	2,913	2,975
Plant and equipment	6,100	5,622
Depreciation of property, plant and equipment	68,340	72,956
Amortisation of prepaid lease payments (included in other expenses)	899	1,020
Impairment loss on prepaid lease payments	–	9,678
Loss on disposal of property, plant and equipment	393	153
Legal and professional fee	37,201	14,789

**8. INCOME TAX EXPENSE**

	Six months ended 30 September	
	2006	2005
	HK\$'000	HK\$'000
The charge comprises:		
Current tax:		
Hong Kong	37,051	47,029
Other jurisdictions	649	–
Deferred tax:		
Current period	3,124	49
	<b>40,824</b>	<b>47,078</b>

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

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

For the six months ended 30 September 2006

## 9. SHARE OPTIONS

The Company has a share option scheme for eligible employees of the Group. Details of the share options outstanding during the current period are as follows:

	Number of share options
Outstanding at the beginning of the period	<b>14,691,600</b>
Granted during the period	<b>1,000,000</b>
Exercised during the period	<b>(185,600)</b>
Outstanding at the end of the period	<b>15,506,000</b>

In the current period, share options were granted on 26 June 2006 and the exercise price was HK\$4.2. The fair value of the options determined at the date of grant using the Binomial model was HK\$1.276.

The closing price of the Company's shares immediately before 26 June 2006, the date of grant of the options, was HK\$4.15.

The weighted average closing price of the Company's shares immediately before the date on which the options were exercised was HK\$4.3.

The following assumptions were used to calculate the fair value of share options:

	26 June 2006
Closing share price	HK\$4.2
Exercise price	HK\$4.2
Expected volatility	40% p.a.
Expected dividend yield	2% p.a.
Risk free rate	4.65%

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on a valuation obtained from an independent valuer.

For the six months ended 30 September 2006

**10. DIVIDENDS**

Final and 2% convertible non-voting, non-cumulative, preference share ("Preference shares") dividends paid:

	Six months ended 30 September	
	2006 HK\$'000	2005 HK\$'000
<b>Ordinary shares:</b>		
Final dividend for 2005/06 – HK18.0 cents per share (2004/05: Nil)	268,529	–
<b>Preference shares:</b>		
Preference share dividend for 2005/06 – HK3.5 cents per share (2004/05: Nil)	32,200	–
	<b>300,729</b>	–

Interim, special and preference share dividends declared and proposed after the balance sheet date of the interim period:

	Six months ended 30 September	
	2006 HK\$'000	2005 HK\$'000
<b>Ordinary shares:</b>		
Interim dividend for 2006/07 – HK4.0 cents per share (2005/06: HK5.0 cents)	96,473	74,295
Special dividend for 2006/07 – Nil (2005/06: HK25.0 cents)	–	371,476
<b>Preference shares:</b>		
Preference share dividend for 2006/07 – Nil (2005/06: HK1.75 cents)	–	16,100
	<b>96,473</b>	461,871

The amount of the interim dividend declared for the six months ended 30 September 2006, which will be payable in cash, has been calculated by reference to the 1,491,828,881 issued ordinary shares as at 30 September 2006 plus 920,000,000 ordinary shares deriving from the conversion of 920,000,000 Preference shares on 5 October 2006. The total number of issued ordinary shares as at the date hereof is 2,411,828,881.

The dividends declared and proposed after the balance sheet date have not been recognised as a liability at the balance sheet date.

For the six months ended 30 September 2006

**11. EARNINGS PER SHARE**

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the parent is based on the following data:

	Six months ended 30 September	
	2006 HK\$'000	2005 HK\$'000
<b>Earnings:</b>		
Earnings for the purposes of basic and diluted earnings per share	<b>157,755</b>	224,227
	<b>No. of shares</b>	No. of shares
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>1,486,568,787</b>	1,484,386,500
Share options	<b>3,243,356</b>	4,767,324
Convertible preference shares	<b>920,000,000</b>	920,000,000
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<b>2,409,812,143</b>	2,409,153,824

For the six months ended 30 September 2006

**12. CAPITAL EXPENDITURE**

	Intangible assets HK\$'000	Property, plant and equipment HK\$'000
<b>COST OR VALUATION</b>		
At 1 April 2006	1,482,799	2,250,417
Currency realignment	–	(14,444)
Additions	–	126,858
Disposals	–	(7,884)
At 30 September 2006	1,482,799	2,354,947
<b>ACCUMULATED AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES</b>		
At 1 April 2006	181,918	653,421
Currency realignment	–	(3,379)
Charge for the period	–	68,340
Eliminated on disposals	–	(6,176)
At 30 September 2006	181,918	712,206
<b>CARRYING VALUES</b>		
At 30 September 2006	1,300,881	1,642,741
At 31 March 2006	1,300,881	1,596,996

Notes:

- (a) Intangible assets represent the masthead and publishing rights of the Group.
- (b) The carrying amount of the Group's property, plant and equipment includes an amount of HK\$1,801,000 (At 31 March 2006: Nil) in respect of assets held under finance leases.

For the six months ended 30 September 2006

**13. PREPAID LEASE PAYMENTS**

	HK\$'000
<b>COST</b>	
At 1 April 2006 and 30 September 2006	<b>76,259</b>
<b>AMORTISATION AND IMPAIRMENT LOSS</b>	
At 1 April 2006	<b>2,124</b>
Charge for the period	<b>899</b>
At 30 September 2006	<b>3,023</b>
<b>CARRYING VALUES</b>	
At 30 September 2006	<b>73,236</b>
At 31 March 2006	74,135

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

Analysed as:

	<b>30 September 2006 HK\$'000</b>	31 March 2006 HK\$'000
Non-current assets	<b>71,439</b>	72,338
Current assets	<b>1,797</b>	1,797
	<b>73,236</b>	74,135

**14. RESTRICTED BANK BALANCES**

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

For the six months ended 30 September 2006

**15. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS**

	<b>30 September 2006 HK\$'000</b>	31 March 2006 HK\$'000
Accounts receivable, net	<b>542,340</b>	501,421
Prepayments	<b>37,304</b>	49,497
Rental and other deposits	<b>20,752</b>	18,746
Others	<b>24,468</b>	22,960
	<b>624,864</b>	592,624

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

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

	<b>30 September 2006 HK\$'000</b>	31 March 2006 HK\$'000
0 – 1 month	<b>224,645</b>	233,545
1 – 3 months	<b>281,892</b>	228,108
Over 3 months	<b>35,803</b>	39,768
	<b>542,340</b>	501,421

**16. DERIVATIVE FINANCIAL INSTRUMENTS**

	<b>30 September 2006 HK\$'000</b>	31 March 2006 HK\$'000
Forward foreign exchange contracts	–	170

For the six months ended 30 September 2006

**17. ACCOUNTS PAYABLE AND ACCRUED CHARGES**

	<b>30 September 2006 HK\$'000</b>	31 March 2006 HK\$'000
Accounts payable	<b>129,732</b>	151,164
Accrued charges	<b>350,211</b>	299,767
	<b>479,943</b>	450,931

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

	<b>30 September 2006 HK\$'000</b>	31 March 2006 HK\$'000
0 – 1 month	<b>103,056</b>	112,562
1 – 3 months	<b>16,782</b>	26,517
Over 3 months	<b>9,894</b>	12,085
	<b>129,732</b>	151,164



For the six months ended 30 September 2006

**18. OBLIGATIONS UNDER FINANCE LEASES**

	Minimum lease payments		Present value of minimum lease payments	
	<b>30 September</b>	31 March	<b>30 September</b>	31 March
	<b>2006</b>	2006	<b>2006</b>	2006
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Amounts payable under finance leases:				
Within one year	<b>1,064</b>	–	<b>1,028</b>	–
In the second to fifth years inclusive	<b>1,189</b>	–	<b>1,063</b>	–
	<b>2,253</b>	–	<b>2,091</b>	–
Less: future finance charges	<b>(162)</b>	–	<b>–</b>	–
Present value of lease obligations	<b>2,091</b>	–	<b>2,091</b>	–
Less: Amount due for settlement within twelve months (shown under current liabilities)			<b>(1,028)</b>	–
Amount due for settlement after twelve months			<b>1,063</b>	–

For the six months ended 30 September 2006

**19. BANK BORROWINGS**

	<b>30 September 2006 HK\$'000</b>	31 March 2006 HK\$'000
Secured bank loans (Note)	<b>217,374</b>	260,404

An analysis of the above is as follows:

	<b>30 September 2006 HK\$'000</b>	31 March 2006 HK\$'000
Secured bank loans repayable		
– within one year	<b>78,647</b>	79,570
– in the second year	<b>79,262</b>	80,165
– in the third year	<b>58,815</b>	80,787
– in the fourth year	<b>650</b>	19,882
	<b>217,374</b>	260,404
Less: Current portion	<b>(78,647)</b>	(79,570)
Non-current portion	<b>138,727</b>	180,834

Note:

At 30 September 2006, the Group's banking facilities were secured by the following:

- Certain of the Group's freehold land and buildings situated outside Hong Kong with an aggregate carrying value of approximately HK\$355.3 million (At 31 March 2006: HK\$362.9 million); and
- Certain of the Group's plant and machinery with an aggregate carrying value of approximately HK\$288.8 million (At 31 March 2006: HK\$306.3 million).

For the six months ended 30 September 2006

**20. SHARE CAPITAL**

	Authorised			
	Preference shares		Ordinary shares	
	No. of shares	HK\$'000	No. of shares	HK\$'000
Preference shares of HK\$1.75 each and ordinary shares of HK\$1.00 each				
At 1 April 2005, 1 April 2006 and 30 September 2006	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 2005	920,000,000	1,610,000	1,482,773,481	1,482,774
Exercise of share options	–	–	8,869,800	8,869
At 31 March 2006 and 1 April 2006	920,000,000	1,610,000	1,491,643,281	1,491,643
Exercise of share options	–	–	185,600	186
At 30 September 2006	920,000,000	1,610,000	1,491,828,881	1,491,829
			<b>30 September 2006 HK\$</b>	31 March 2006 HK\$
Total issued and fully paid share capital			<b>1,491,829</b>	1,491,643
Ordinary shares of HK\$1.00 each			<b>1,610,000</b>	1,610,000
Preference shares of HK\$1.75 each			<b>3,101,829</b>	3,101,643

For the six months ended 30 September 2006

## 20. SHARE CAPITAL – continued

Preference shares of HK\$1.75 each were allotted to a shareholder of the Company in October 2001. The holder of the Preference shares shall have the right to convert the preference shares, exercisable during the period of five years from the date of the issue of the Preference shares, into fully paid ordinary shares of HK\$1.00 each. On the day following the last day on which the conversion rights may be exercised any Preference shares then outstanding shall automatically be redesignated as Preference shares of HK\$1.75 each without any requirement to alter or substitute the existing certificates in respect of the Preference shares.

Subsequent to the balance sheet date, all Preference shares were converted into ordinary shares as detailed in note 22(a).

## 21. CONTINGENCIES AND COMMITMENTS

### Contingent liabilities

As at 30 September 2006, 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 of the Company, Apple Daily Printing Limited, over amounts payable in respect of the construction of the facility, which is currently under arbitration.

The information required by HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” is not disclosed on the ground that the outcome of the case are of uncertainties. The Directors are of the opinion that the claims can be successfully defended by the Company.

### Guarantees received

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 Contractor 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 and renewed on 25 October 2004 for another three years 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.

For the six months ended 30 September 2006

**21. CONTINGENCIES AND COMMITMENTS – continued****Commitments**

(a) Capital commitments in respect of the acquisition of property, plant and equipment

	<b>30 September 2006 HK\$'000</b>	31 March 2006 HK\$'000
Authorised but not contracted for	<b>100</b>	140
Contracted but not provided for	<b>8,135</b>	91,791
	<b>8,235</b>	91,931

(b) Commitments under operating leases

At 30 September 2006, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	<b>30 September 2006</b>			31 March 2006		
	<b>Properties HK\$'000</b>	<b>Plant and equipment HK\$'000</b>	<b>Total HK\$'000</b>	Properties HK\$'000	Plant and equipment HK\$'000	Total HK\$'000
Not later than one year	<b>3,961</b>	<b>7,211</b>	<b>11,172</b>	4,494	9,631	14,125
Later than one year but not later than five years	<b>730</b>	<b>5,052</b>	<b>5,782</b>	2,039	7,354	9,393
	<b>4,691</b>	<b>12,263</b>	<b>16,954</b>	6,533	16,985	23,518

Leases are negotiated for an average term of 2 years and rentals are fixed during lease period.

**22. SUBSEQUENT EVENTS**

- (a) On 5 October 2006, Mr. Lai, the Chairman of the Company, converted 920,000,000 Preference shares into 920,000,000 ordinary shares at the conversion price of HK\$1.75 each. As a result of the conversion, the total number of issued ordinary shares has been increased to 2,411,828,881 and Mr. Lai's shareholding in the Company has been increased from approximately 57.86% of the issued ordinary share capital of the Company immediately before the conversion to approximately 73.93% of the issued ordinary share capital of the Company as enlarged by the conversion.
- (b) On 9 October 2006, the Group arranged a syndication loan of HK\$240.0 million, to which property and printing equipment with a carrying value as at 30 September 2006 of HK\$362.2 million were pledged. The purpose of the loan is to cater future development of the Group.

# Independent Review Report

**Deloitte.**

**德勤**

**TO THE BOARD OF DIRECTORS OF NEXT MEDIA LIMITED**

**壹傳媒有限公司**

*(incorporated in Hong Kong with limited liability)*

We have been instructed by the Company to review the interim financial report set out on pages 34 to 55.

## **RESPECTIVE RESPONSIBILITIES**

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has 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 the Statement of Auditing Standards 700 “Engagements to Review Interim Financial Reports” issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of the Group management and applying analytical procedures to the interim financial report 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 report.

## 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 report for the six months ended 30 September 2006.

### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

27 November 2006