

The Group expanded its business geographically by launching *Taiwan Next Magazine* on 31 May 2001. The response to this new magazine had been very encouraging in terms of circulation. Despite the unfavourable market condition, the Group is confident that advertising revenue would pick up as *Taiwan Next Magazine* becomes more established and upon the availability of accredited independent third party data on readership numbers. The Group believes we are well positioned to reap full benefit when Taiwan economy recovers.

On 26 October 2001, the Group completed the acquisition of *Apple Daily* and three popular magazines, namely *Next Magazine*, *Sudden Weekly* and *Eat & Travel Weekly* and became one of the Hong Kong's largest listed Chinese-language print media group in terms of sales and market share. Following such acquisition, the Group will continue to focus on the development of its core publishing and printing businesses. As these newly acquired businesses are profit-making, the financial position of the Group has been strengthened. It is expected *Apple Daily* and these magazines will become the main revenue contributors of the Group in the years to come.

Assuming the acquisition of DGL by the Group had been completed on or before 1 April 2001, the mastheads of the DGL Group upon acquisition would have been recognised at the amount of approximately HK\$1,532 million. Together with the existing masthead of the Group of HK\$210 million, the annual amortisation charge for the mastheads would be approximately HK\$87.1 million over a period of 20 years.

DIRECTORS' INTEREST IN SECURITIES

As at 30 September 2001, the interests of the directors and chief executives of the Company and their associates in the securities of the Company and its associated corporations, within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Director	Number of ordinary shares of HK\$0.20 each			
	Personal interests	Corporate interests	Other interests	Total interests
Mr. Lai	1,749,237,123	–	–	1,749,237,123
Mr. Andrew Chow				
On Kiu	35,670,675	–	–	35,670,675
Mr. Yeung Wai Hong	15,000,000	61,400,528 ⁽¹⁾	–	76,400,528
Mr. Stephen Ting				
Ka Yu	10,225,127	–	–	10,225,127
Mr. Peter Kok				
Hon Kay	4,595,637	–	–	4,595,637
Mr. Pieter				
Lodewijk Schats	2,250,000	–	–	2,250,000
Mr. V-nee Yeh	–	–	130,000 ⁽²⁾	130,000

Notes:

- (1) These shares are owned by Flagstone Assets Limited. Mr. Yeung Wai Hong is deemed to be interested in these shares by virtue of the 100% interest in Flagstone Assets Limited owned by him and his family.
- (2) These shares are held by VP Special Situations I Limited (“VPSS”) to which VP Private Equity Ltd. (“VPPE”) is the fund manager. Mr. V-neeYeh is deemed to be interested in these shares by virtue of the fact that he has more than one third of the voting rights in VPPE and a 0.486% attributable interest in VPSS.

Save as disclosed above, none of the directors and chief executives of the Company, or their associates had any interests in any securities of the Company or any of the Company’s associated corporations as defined in the SDI Ordinance as at 30 September 2001, and none of the directors and chief executives, or their spouse or children under the age of 18, had been granted any options under the Company’s share option schemes or had any right to subscribe for the securities of the Company, or had exercised any such rights during the period.

SUBSTANTIAL SHAREHOLDERS

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As at 30 September 2001, the register of substantial shareholders maintained by the Company pursuant to section 16(1) of the SDI Ordinance showed that the following shareholder had an interest of 10% or more of the Company’s issued share capital.

Name	Number of ordinary shares of HK\$0.20 each
Mr. Lai	1,749,237,123

INTERIM DIVIDEND

The Directors have resolved not to declare any interim dividend in respect of the six months ended 30 September 2001 (2000: Nil).

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of listed securities of the Company by the Company or any of its subsidiaries during the six months ended 30 September 2001.

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, 2001, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

AUDIT COMMITTEE

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

DISCLOSURE UNDER PRACTICE NOTE 19 OF THE LISTING RULES

As at 30 September 2001, the Company had a term loan facility in the amount of HK\$94.2 million from an international bank (the "Term Loan Facility") repayable in seven further instalments with the last instalment falling due in June 2003. It will constitute a breach of the Term Loan Facility if (1) Mr. Lai either (a) ceases to be the beneficial owner, directly or indirectly, of a majority of the issued voting shares of each of the Company, Next International and Next Media (Holdings) Limited ("Next Holdings"), a wholly owned subsidiary of Next International, or (b) ceases to exercise management control of each of the Company, Next International and Next Holdings or (2) neither Next International nor Mr. Lai is on its or his own the beneficial owner (directly or indirectly) of at least 51% of the issued share capital of the Company. None of these covenants had been breached during the six months ended 30 September 2001.

By order of the Board
Chow On Kiu, Andrew
Director

Hong Kong, 14 December 2001