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Group Financial Highlights

Results	(Unaudited) Six months ended 30 September	
	2004 HK\$'000	2003 HK\$'000
Turnover	1,440,224	1,138,374
Earnings before interest, tax, depreciation and amortisation	253,369	36,092
Operating profit (loss)	135,428	(75,986)
Profit (loss) for the period	91,032	(109,124)
Basic earnings (loss) per share	6.1 cents	(8.1 cents)
Diluted earnings per share	3.8 cents	N/A
	(Unaudited) As at 30 September 2004 HK\$'000	(Audited) As at 31 March 2004 HK\$'000
Balance Sheet		
Current assets	1,190,337	983,097
Non-current assets	3,310,422	3,439,609
Total assets	4,500,759	4,422,706
Current liabilities	535,971	483,465
Non-current liabilities	571,085	612,240
Minority interests	2,060	2,000
Total liabilities	1,109,116	1,097,705
Net assets	3,391,643	3,325,001
	(Unaudited) As at 30 September 2004	(Audited) As at 31 March 2004
Ratio Analysis		
Current ratio	222.1%	203.3%
Quick ratio	194.4%	176.7%
Gearing ratio	5.9%	6.7%

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The Board of Directors (the "Board" or the "Directors") of Next Media Limited (the "Company") is pleased to present the interim report of the Company and its subsidiaries (together, the "Group") for the six months ended 30 September 2004. The consolidated results, consolidated statement of changes in equity and consolidated cash flow statement for the Group for the six months ended 30 September 2004, together with the consolidated balance sheet of the Group as at 30 September 2004, all of which are unaudited and condensed (the "interim financial accounts"), are set out on pages 19 to 35 of this report, along with selected explanatory notes.

Management Discussion & Analysis

Businesses

The Group is principally engaged in the publication and printing of newspapers, books and magazines. It is also engaged in the sale of newspaper and magazine advertising space in Hong Kong and Taiwan, the provision of printing and reprographic services, the delivery of internet contents and the sale of advertising space on websites.

Financial Results

For the six months ended 30 September 2004, the Group achieved an unaudited consolidated profit of approximately HK\$91.0 million, as compared to an unaudited consolidated loss of approximately HK\$109.1 million for the same period in 2003. The successful turnaround was mainly attributable to the improved results of *Taiwan Apple Daily*. The Group's earnings before interest, tax, depreciation and amortisation reached approximately HK\$253.4 million, an increase of around 601.9% over approximately HK\$36.1 million in the corresponding period last year. Basic earnings per share were HK\$6.1 cents, against the basic loss per share of HK\$8.1 cents.

The Group's turnover increased by approximately HK\$301.8 million, from approximately HK\$1,138.4 million to approximately HK\$1,440.2 million, representing an increase of around 26.5%. Such a substantial increase in turnover was mainly attributable to the significant improvement in both circulation and advertising sales of *Taiwan Apple Daily* as well as the increase in turnover from advertising from the magazines published by the Group.

The turnover of *Taiwan Apple Daily* increased by approximately HK\$215.0 million, from approximately HK\$90.3 million to approximately HK\$305.3 million, representing an increase of around 238.1%. The retail price maintained at NT\$10 since 1 June 2003. Sales of newspapers increased by approximately HK\$64.4 million.

As a result of the increase in the number of advertising pages and average advertising page rate, newspaper advertising income increased by approximately HK\$150.6 million.

The turnover from magazines increased by approximately HK\$64.5 million from approximately HK\$379.3 million to approximately HK\$443.8 million, representing an increase of around 17.0%. Such increase mainly came from additional advertising income from *Taiwan Next Magazine*, *Easy Finder with Eat & Travel Weekly* (the "Easy Finder Bundle") and *Sudden Weekly with Eat & Travel Weekly* (the "Sudden Weekly Bundle").

With regard to the Group's total turnover, an amount of approximately HK\$925.9 million, or around 64.3% of the total turnover, came from its Newspaper Publication and Printing Division, while approximately HK\$443.8 million, or 30.8% of the total turnover came from Books and Magazines Publication Division. 4.1% of the total turnover or approximately HK\$58.9 million came from Books and Magazines Printing Division after elimination of inter-segment transactions and approximately HK\$11.6 million or 0.8% came from Internet Division.

The profit from the Group's major business segments for the six months ended 30 September 2004, was about HK\$122.0 million. Newspaper Publication and Printing Division contributed a segment profit of approximately HK\$17.5 million while Books and Magazines Publication Division contributed a segment profit of approximately HK\$77.0 million. The Books and Magazines Printing Division generated a segment profit of approximately HK\$22.0 million and Internet Division generated a segment profit of approximately HK\$5.5 million.

Business Review

Newspaper Publication and Printing Division

Turnover from its Newspaper Publication and Printing Division was mainly attributable to *Apple Daily* and *Taiwan Apple Daily*.

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Management Discussion & Analysis (Continued)

As per the circulation audits conducted by the Hong Kong Audit Bureau of Circulation (the "HKABC"), for the six months ended 30 June 2004, *Apple Daily* recorded an average daily circulation of approximately 347,379 copies. According to the 2004 ACNielsen Hong Kong Media Index Mid-Year Report (the "2004 ACNielsen Mid-Year Report"), *Apple Daily* maintained an average readership of approximately 1,431,000 for the twelve months ended 30 June 2004 as compared to an average readership of approximately 1,400,000 over the corresponding period last year. During the period under review, *Apple Daily* experienced a slight decline in advertising revenue, resulting from fierce market competition.

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 82,172,245 copies during the six months ended 30 June 2004, giving an average daily circulation of approximately 451,496 copies while it recorded a total circulation of 61,110,331 copies from 2 May 2003 to 30 September 2003, giving an average daily circulation of approximately 402,041 copies, representing an increase of around 12.3%. This increase in circulation not only demonstrated *Taiwan Apple Daily's* successful establishment of a stronghold in the territory but also represented the continual broadening of its reader base. During the period under review, the increase in the number of advertising pages and average advertising rate per page, boosted advertising income by approximately 266.1%, compared to the corresponding period last year. The Directors believe, *Taiwan Apple Daily* with its fast-growing readership and circulation, has much room for future growth, especially from its run of page advertising.

Books and Magazines Publication Division

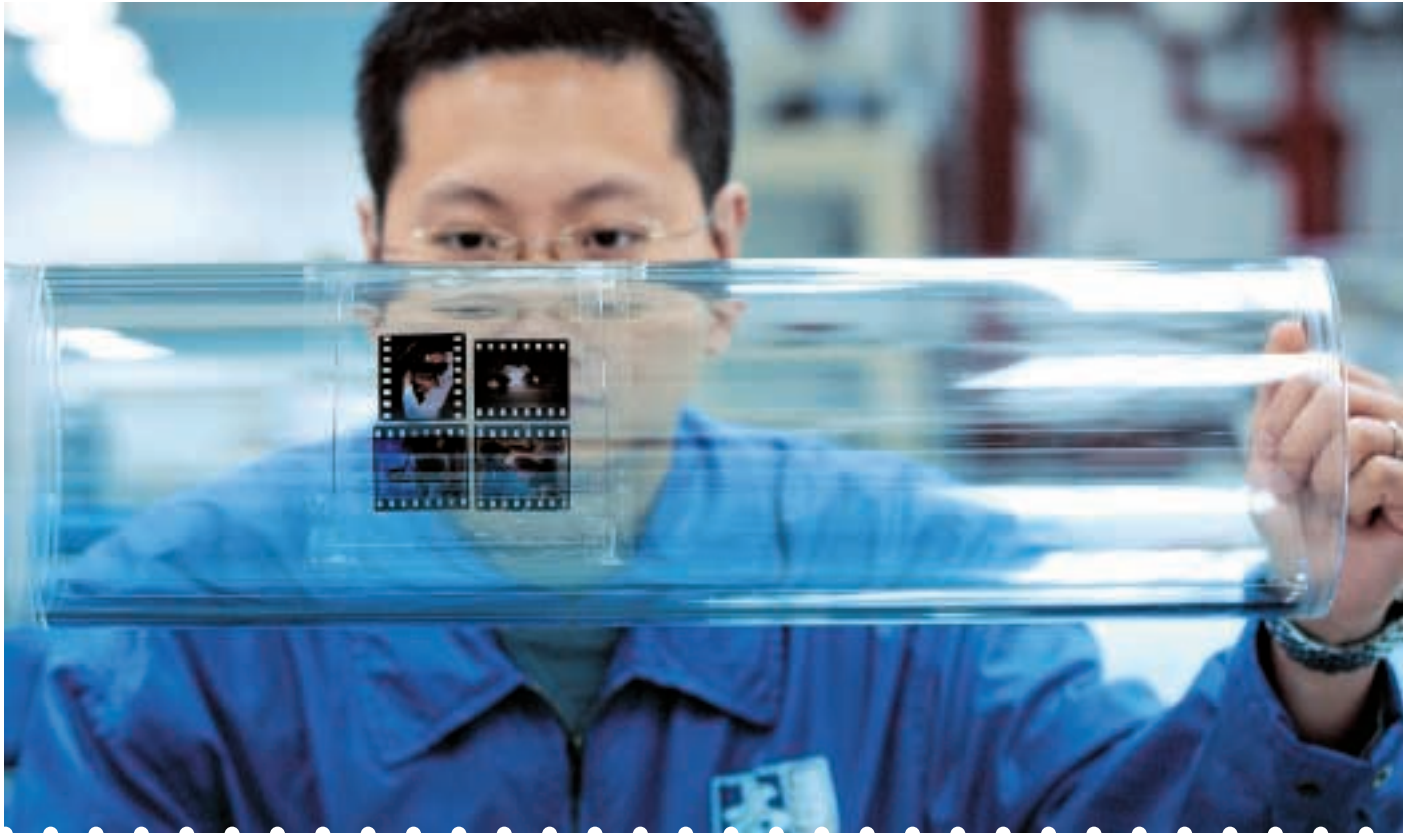
The Books and Magazines Publication Division experienced a noticeable increase of around 17.0% in turnover from approximately HK\$379.3 million to approximately HK\$443.8 million compared to the corresponding period in 2003. Such increase was mainly attributable to the increase of advertising income from *Taiwan Next Magazine*, *Easy Finder Bundle* and *Sudden Weekly Bundle*.

Next Magazine, the leading weekly magazine, capturing recognition from a wide spectrum of readers, generated approximately HK\$147.7 million in revenue during the period under review, as compared to approximately HK\$140.7 million in the previous year.

According to the 2004 ACNielsen Mid-Year Report, *Next Magazine*, with an average readership of approximately 509,000 for the twelve months ended 30 June 2004, maintained its second position in terms of readership amongst all weekly magazines in Hong Kong, representing an increase of around 9.7% as compared to the average readership of approximately 464,000 over the corresponding period last year. According to HKABC, it recorded an average weekly circulation of approximately 143,356 copies during the six months ended 30 June 2004.

Sudden Weekly Bundle, the most favourable weekly magazine for female readers, generated approximately HK\$116.9 million in revenue as compared to approximately HK\$103.5 million for the corresponding period last year. According to the 2004 ACNielsen Mid-Year Report, *Sudden Weekly Bundle*, with an average readership of approximately 611,000 for the twelve months ended 30 June 2004, maintained its first position amongst all weekly magazines in terms of readership in Hong Kong, representing an increase of around 13.8% as compared to the average readership of approximately 537,000 over the corresponding period last year. It recorded an average weekly circulation of approximately 197,055 copies for the six months ended 30 June 2004.

Easy Finder Bundle, the most popular infotainment weekly magazine amongst youngsters, generated approximately HK\$69.7 million in revenue as compared to approximately HK\$51.3 million for the corresponding period last year. According to the 2004 ACNielsen Mid-Year Report, *Easy Finder Bundle*, with an average readership of approximately 332,000 for the twelve months ended 30 June 2004 maintained its third position amongst all weekly magazines in terms of readership in Hong Kong, representing an increase of around 11.4% as compared to an average readership of approximately 298,000 over



Management Discussion & Analysis (Continued)

the corresponding period last year. It had an average weekly circulation of approximately 106,870 copies for the six months ended 30 June 2004.

Taiwan Next Magazine generated approximately HK\$108.7 million in revenue, representing an increase of approximately HK\$25.7 million, or 31.0% when compared to the corresponding period in the previous year. According to information from ACNielsen (Taiwan) Limited, *Taiwan Next Magazine*, had an average readership of approximately 1,648,000 for the six months ended 30 June 2004, whereas its average readership for the same period last year was approximately 1,528,000. Since its inception in 2001, *Taiwan Next Magazine* was able to maintain its number one position in terms of readership in Taiwan. *Taiwan Next Magazine's* total circulation for the six months ended 30 June 2004, as audited by ROCABC, was 3,620,695, giving an average weekly circulation of approximately 139,258 copies.

Books and Magazines Printing Division

During the period under review, the Group's Books and Magazines Printing Division continued to complement its publishing business by contributing a turnover of approximately HK\$146.5 million, before the elimination of inter-segment transactions of approximately HK\$87.6 million, representing a growth of around 10.3% compared to approximately HK\$132.8 million in 2003.

This division enjoys a reputation for good print quality in the industry. Apart from providing printing services to the Group's publication business, it also provides commercial printing services for external customers from Hong Kong, Taiwan, North America, Europe and Australasia. During the period under review, this division contributed a revenue of approximately HK\$58.9 million, as compared to approximately HK\$54.6 million for the same period last year, representing an increase of around 7.9%. Given the high level of reliability and consistency in print quality, the Directors believe, the commercial printing division will continue to provide a steady income stream for the Group.

Internet Division

During the period under review, the results from Internet Division were very encouraging. It recorded a turnover of approximately HK\$11.6 million, an increase of approximately HK\$2.0 million or 20.8% as compared to approximately HK\$9.6 million for the same period last year. The increase in its advertising revenue and the growth of its overseas subscriber base, led to the substantial increase in segment profit from approximately HK\$3.9 million last year to approximately HK\$5.5 million for the six months ended 30 September 2004, an increase of almost 41.0%.

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.

The banking facilities include a HK\$300.0 million syndicated loan facility from a syndicate of seven banks, arranged by Sumitomo Mitsui Banking Corporation and offered to Apple Daily Limited. The outstanding loan balance as at 30 September 2004 amounted to HK\$170.0 million.

As at 30 September 2004, the Group had available banking facilities totalling approximately HK\$565.9 million, of which approximately HK\$267.9 million had been utilised. All bank borrowings bear interest at floating rates. There is no seasonality for borrowing requirements. The Group's bank borrowings were mainly denominated in Hong Kong Dollars and New Taiwanese Dollars.

As at 30 September 2004, the Group had approximately HK\$528.3 million in bank balances and cash. The current ratio as at 30 September 2004 was 222.1% compared to 203.3% as at 31 March 2004. The gearing ratio, calculated by dividing long-term liabilities including current portions by total asset value, of the Group as at 30 September 2004 was 5.9%, compared to 6.7% as at 31 March 2004.

Management Discussion & Analysis (Continued)

Assets Pledged

As at 30 September 2004, the Group had pledged its properties in Hong Kong and Taiwan and certain printing equipment with an aggregate net book value of approximately HK\$998.2 million, to various banks as security for bank loans and for general banking facilities granted to the Group.

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 has exchange exposure to New Taiwanese Dollars due to its existing magazine and newspaper publishing businesses in Taiwan.

It is the Group's strategy to reduce exchange rate exposure by arranging local currency bank loans. The Group's net currency exposure as at 30 September 2004 was approximately NT\$4,588.4 million (approximately HK\$1,052.9 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 2004, the Group's capital expenditure amounted to approximately HK\$17.8 million, including approximately HK\$5.8 million for its Taiwan operations. As at 30 September 2004, the capital expenditure committed for its operations amounted to approximately HK\$9.6 million, including approximately HK\$4.0 million for its Taiwan operations.

Share Capital Structure

During the period under review, as a result of the exercise of certain share options by option holders, 2,040,305 ordinary shares with a par value of HK\$1.00 each were issued by the Company. Of the 2,040,305 ordinary shares, 1,958,800 ordinary shares were issued at an exercise price of HK\$1.67 per share and 81,505 ordinary shares were issued at an exercise price of HK\$1.00 per share.

As at 30 September 2004, the total issued share capital of the Company was HK\$3,090,674,881 divided into 1,480,674,881 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.

Contingent Liabilities

As at 30 September 2004, the Group had contingent liabilities in respect of a number of litigation proceedings in Hong Kong and Taiwan, arising from its publishing business. In addition, the Group had a dispute with UDL Contracting Limited - the contractor assigned 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 printing facility in Tseung Kwan O, 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 Chee Ying, Jimmy ("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\$60,000,000 in favour of the Group in respect of his obligations under the Indemnity. Having taken into consideration the advice of the Group's legal counsel and the Indemnity given by Mr. Lai, the Directors are of the opinion that any ultimate liability under these proceedings will not have a material impact on the financial position of the Group.

As at 30 September 2004, 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 approximately HK\$196.6 million.

Management Discussion & Analysis (Continued)

Employees and Remuneration Policy

As at 30 September 2004, the Group employed a total of 3,246 employees, of whom 1,790 employees were in Hong Kong, 1,448 employees were in Taiwan and 8 employees were in Canada. There are no material changes to the policies relating to employee remuneration, bonuses, share options schemes and staff development as disclosed in the 2003/04 annual report. Total staff cost for the six months ended 30 September 2004 amounted to approximately HK\$457.2 million (for the six months ended 30 September 2003: approximately HK\$454.4 million).

Interim Dividend

The Directors have resolved not to declare any interim dividend in respect of the six months ended 30 September 2004 (2003: Nil).

Future Prospects and Outlook

The Group has successfully established its leading position in the newspapers and magazines markets in Hong Kong and Taiwan. Though, *Apple Daily* remains its main source of income, it is encouraging to see the good improvement of *Taiwan Apple Daily* during the period. The Directors consider, following the strong rebound of Hong Kong's economy after the SARS epidemic and the improved market sentiment, the Newspaper Publication and Printing Division will continue to generate sustainable and steady income for the Group.

Newsprint and paper costs account for a substantial portion of the Group's production costs in Hong Kong and Taiwan. It is anticipated that prices in the World's paper markets will continue to rise throughout this year. This upward trend will undoubtedly increase the Group's operating costs in the coming years. Nevertheless, the Group will exercise cautious approach by implementing various cost control measures, to reduce the impact of the incremental paper costs.

Whereas for *Taiwan Next Magazine*, the apparent growth in advertising revenue during the period, was a reflection of recognition from advertising clients and its dominant

position in the media market. The Board is confident that *Taiwan Next Magazine* will generate more profit for the Group.

Since its inception in May 2003, *Taiwan Apple Daily* has increased its average daily circulation and advertising income steadily. *Taiwan Apple Daily*, one of the top three newspapers in Taiwan, is well received by the Taiwanese readers and the Board believes, it will generate positive returns for the Group in the future.

It is anticipated that the newly introduced Hong Kong Financial Reporting Standards 2 and 3, together with the Hong Kong Accounting Standards ("HKAS") 32, 36, 38 and 39 which will be in force on 1 January 2005, may have an impact on the Group's financial statements in the future. The Board is closely monitoring this situation to ensure compliance with the new accounting standards. In particular, with regard to HKAS 38 which will impact on the valuation of intangible assets, the Board has taken the proactive step of appointing a professional valuer to carry out an overall valuation of the Group's mastheads and publishing rights as at 31 March 2005 in order to assist the Board in its evaluation of the impact of the new standards on the Group's financial reporting.

Looking ahead, the Group will adhere to its prudent strategic policy so as to provide a solid foundation to its operations in both Hong Kong and Taiwan. The Board is optimistic on the prospects of its Taiwan operations and believes, it will certainly provide a momentum to the growth of the Group.

Forward-looking statements

This document contains certain 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.

Corporate Information

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
Authorised Representatives	Ting Ka Yu, Stephen Tung Chuen Cheuk
Company Secretary	Wong Shuk Ha, Cat
Auditors	Deloitte Touche Tohmatsu
Principal Bankers	The Hongkong and Shanghai Banking Corporation Limited DBS Bank (Hong Kong) Limited Bank of America (Asia) Limited The Shanghai Commercial & Savings Bank Limited Sumitomo Mitsui Banking Corporation National Australia Bank Limited UFJ Bank Limited Belgian Bank Chang Hwa Commercial Bank Ltd. Hua Nan Commercial Bank Ltd. Taiwan Business Bank
Legal Advisors	Simmons & Simmons
Registered Office	8 Chun Ying Street Tseung Kwan O Industrial Estate West Tseung Kwan O New Territories Hong Kong
Share Registrars	Computershare Hong Kong Investor Services Limited 46/F Hopewell Centre 183 Queen's Road East Hong Kong
Shareholders' Enquiries	For additional information, 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
Web Site	http://www.nextmedia.com

Share Information

As at 30 September 2004

Shareholders for Ordinary Shares		
– Mr. Lai		66.09%
– Directors other than Mr. Lai		1.15%
– Others		32.76%
Authorised Share Capital		HK\$4,600,000,000.00
– 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
Issued Share Capital		HK\$3,090,674,881.00
– Ordinary Shares		1,480,674,881 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
Share Options for Ordinary Shares granted and unexpired		
– at an exercise price of HK\$1.67 each		15,200,000 Option Shares
Market Capitalisation		
– at HK\$2.825 per Ordinary Share (closing price on 30 September 2004)		HK\$4.18 billion
Stock Code		
– The Stock Exchange of Hong Kong Limited – Main Board		282
Board Lot		2,000 Ordinary Shares

Other Information

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

As at 30 September 2004, 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 (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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") :

(a) Interests in the Company

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

Name of director/ chief executive	Number of Shares					Interests in underlying shares/equity derivatives	Total shares	Percentage of issued share capital
	Personal interests	Family interests	Corporate interests	Other interests				
1. Ordinary Shares								
Mr. Lai	973,902,535	–	4,692,400	–	–	920,000,000 <i>(Note 1)</i>	1,898,594,935	128.22
Ting Ka Yu, Stephen	90,314	–	–	–	–	1,618,000 <i>(Note 2)</i>	1,708,314	0.12
Ip Yut Kin	11,182,377	2,540,000	–	–	–	–	13,722,377	0.93
Tung Chuen Cheuk	1,736,800	30,000	–	–	–	2,536,000 <i>(Note 2)</i>	4,302,800	0.29
Yeh V-nee	300,000	–	–	26,000 <i>(Note 3)</i>	–	–	326,000	0.02
Fok Kwong Hang, Terry	1,000,000	–	–	–	–	–	1,000,000	0.07
2. Preference Shares								
Mr. Lai	920,000,000 <i>(Note 1)</i>	–	–	–	–	–	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

The table below sets out the long positions in the underlying shares of the Company's associated corporations (within the meaning of Part XV of the SFO) of the Directors and chief executive of the Company:

Apple Daily Publication Development Limited

Name of director/ chief executive	Number of 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	–	–	–	–	150,000 (Note 4)	150,000	1.50
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 2004.

Name of shareholder	Number of shares/ underlying shares held	Percentage of issued share capital
Li Wan Kam, Teresa	1,898,594,935 <i>(Note)</i>	128.22
Marathon Asset Management Ltd.	88,987,912	6.01

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 2004.

Discloseable Interests and Short Positions of Shareholders under the SFO

As at 30 September 2004, the following persons (other than a person who is a Director 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:

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") and another share option scheme on 29 December 2000 (the "2000 Share Option Scheme") respectively. 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, continued to be exercisable in accordance with their terms of issue. As at 30 September 2004, all the outstanding share options under the 1993 Share Option Scheme were exercised.

Other Information (Continued)

Details of the outstanding share options under the 1993 Share Option Scheme and the 2000 Share Option Scheme respectively as at 30 September 2004 are as follows:

1993 Share Option Scheme

Name or category of participant	No. of options as at 01/04/04	Date of grant	Exercise price per share	Exercisable period	No. of options exercised during the period	No. of options lapsed during the period	No. of options outstanding as at 30/09/04
An employee	81,505	10/06/1999	HK\$1.00	15/01/2000-15/06/2009	81,505	–	–

2000 Share Option Scheme

Name or category of participant	No. of options as at 01/04/04	Date of grant	Exercise price per share	Exercisable period	No. of options exercised during the period	No. of options lapsed during the period	No. of options outstanding as at 30/09/04
Directors							
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	2,536,000	18/03/2002	HK\$1.67	19/03/2003-28/12/2010	–	–	2,536,000
Employees							
In aggregate	13,562,800	18/03/2002	HK\$1.67	19/03/2003-28/12/2010	1,958,800 <i>(Note)</i>	558,000	11,046,000
Total outstanding							15,200,000

Note: The weighted average closing price immediately before the dates on which the options were exercised was HK\$3.16.

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 ("ADPDL") and Next Media Publishing Limited, both are 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 Listing Rules.

On 28 July 2004, the shareholders of ADPDL and the shareholders of the Company approved to refresh the current mandate limit of ADPDL's share option scheme up to a new 10% limit. Accordingly, ADPDL is entitled to grant further options carrying the rights to subscribe for a maximum of 1,000,000 ADPDL's shares of HK\$0.01 each under the refreshed mandate limit.

Details of the outstanding share options under the Subsidiary Share Option Schemes as at 30 September 2004 are as follows:

Apple Daily Publication Development Limited

Name or category of participant	No. of options as at 01/04/04	No. of options granted during the period	Date of grant	Exercise price per share	Exercisable period	No. of options lapsed during the period	No. of options cancelled during the period	No. of options outstanding as at 30/09/04
Directors								
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
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
Tung Chuen Cheuk	50,000	–	26/03/2003	(Note)	Not yet determined	–	–	50,000

Other Information (Continued)

Apple Daily Publication Development Limited *(continued)*

Name or category of participant	No. of options as at 01/04/04	No. of options granted during the period	Date of grant	Exercise price per share	Exercisable period	No. of options lapsed during the period	No. of options cancelled during the period	No. of options outstanding as at 30/09/04
Employees								
In aggregate	330,000	–	08/01/2003	<i>(Note)</i>	Not yet determined	40,000	20,000	270,000
	45,000	–	22/01/2003	<i>(Note)</i>	Not yet determined	25,000	–	20,000
	100,000	–	26/03/2003	<i>(Note)</i>	Not yet determined	–	–	100,000
	50,000	–	23/04/2003	<i>(Note)</i>	Not yet determined	–	–	50,000
	25,000	–	05/11/2003	<i>(Note)</i>	Not yet determined	–	–	25,000
	–	50,000	19/04/2004	<i>(Note)</i>	Not yet determined	–	–	50,000
Total outstanding								790,000

Next Media Publishing Limited

Name or category of participant	No. of options as at 01/04/04	No. of options granted during the period	Date of grant	Exercise price per share	Exercisable period	No. of options lapsed during the period	No. of options cancelled during the period	No. of options outstanding as at 30/09/04
Employees								
In aggregate	275,000	–	08/01/2003	<i>(Note)</i>	Not yet determined	–	–	275,000
	150,000	–	12/01/2004	<i>(Note)</i>	Not yet determined	–	–	150,000
Total outstanding								425,000

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 exercised during the period.

Other Information (Continued)

Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, the percentage of the ordinary shares in public hands exceed 25% as at 30 September 2004.

Corporate Governance

Change of External Auditors

The Group is committed to maintain a high standard of corporate governance. It is generally considered good corporate governance that the external auditors of a company should be changed after an appropriate period of time to help ensure auditors' independence and objectivity in financial reporting. During the period, the Group has appointed Deloitte Touche Tohmatsu ("Deloitte") as its external auditors in place of PricewaterhouseCoopers ("PwC"). PwC have been the external auditors of the Group for the last five financial years, the Board considers that the change of external auditors to Deloitte is in line with good corporate governance and practice.

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 members of the Audit Committee possess appropriate professional qualifications and practical experience in financial matters. The Audit Committee has reviewed with the management the Group's accounting principles and practices and discussed internal controls and financial reporting matters including the review of the unaudited interim financial accounts for the six months ended

30 September 2004. Deloitte, 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 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants.

Code of Best Practice

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 September 2004, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

The Model Code

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. All Directors have confirmed, following specific enquiry by the Company, that they have fully complied with the required standard of the Model Code throughout the six months ended 30 September 2004.

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 2004.

By order of the Board
Ting Ka Yu, Stephen
Director

Hong Kong, 6 December 2004

Condensed Consolidated Profit and Loss Account

For the six months ended 30 September 2004

	Notes	(Unaudited) Six months ended 30 September	
		2004 HK\$'000	2003 HK\$'000
Turnover	3	1,440,224	1,138,374
Production costs		(903,464)	(789,796)
Gross profit		536,760	348,578
Other revenues	3	13,445	12,131
Administrative expenses		(414,777)	(436,695)
Operating profit (loss)	5	135,428	(75,986)
Finance costs	6	(2,850)	(4,181)
Profit (loss) before taxation		132,578	(80,167)
Taxation	7	(41,546)	(28,846)
Profit (loss) after taxation		91,032	(109,013)
Minority interests		–	(111)
Profit (loss) for the period		91,032	(109,124)
Earnings (loss) per share	9		
– Basic		6.1 cents	(8.1 cents)
– Diluted		3.8 cents	N/A

Condensed Consolidated Balance Sheet

As at 30 September 2004 and 31 March 2004

	<i>Notes</i>	(Unaudited) 30 September 2004 HK\$'000	(Audited) 31 March 2004 HK\$'000
Non-current Assets			
Intangible assets	10	1,528,568	1,574,338
Fixed assets	10	1,776,780	1,856,620
Interests in associate companies		(830)	(830)
Deferred tax assets		5,904	9,481
		3,310,422	3,439,609
Current Assets			
Inventories		148,260	128,977
Accounts receivable, deposits and prepayments	11	513,814	480,497
Bank balances and cash		528,263	373,623
		1,190,337	983,097
Current Liabilities			
Accounts payable and accrued charges	12	431,283	398,431
Current portion of long-term liabilities	13	60,501	60,636
Taxation payable		44,187	24,398
		535,971	483,465
Net Current Assets		654,366	499,632
Total Assets Less Current Liabilities		3,964,788	3,939,241
Non-current Liabilities			
Long-term liabilities	13	203,667	235,758
Pensions obligations		15,653	13,935
Deferred tax liabilities		351,765	362,547
		571,085	612,240
Minority Interests		2,060	2,000
Net Assets		3,391,643	3,325,001
Capital and Reserves			
Share capital	14	3,090,675	3,088,635
Reserves		300,968	236,366
Shareholders' Funds		3,391,643	3,325,001

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2004

	(Unaudited)						
	Share capital HK\$'000	Share premium HK\$'000	Property revaluation reserve HK\$'000	Translation reserve HK\$'000	Goodwill reserve HK\$'000	Accumulated profits (losses) HK\$'000	Total HK\$'000
At 1 April 2003	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 and 1 October 2003	3,087,488	218,710	1,161	11,148	(15,559)	(24,021)	3,278,927
Exercise of share options	1,147	768	–	–	–	–	1,915
Currency realignment	–	–	–	24,955	–	–	24,955
Profit for the period	–	–	–	–	–	19,204	19,204
At 31 March 2004 and 1 April 2004	3,088,635	219,478	1,161	36,103	(15,559)	(4,817)	3,325,001
Exercise of share options	2,040	1,312	–	–	–	–	3,352
Currency realignment	–	–	–	(27,742)	–	–	(27,742)
Profit for the period	–	–	–	–	–	91,032	91,032
At 30 September 2004	3,090,675	220,790	1,161	8,361	(15,559)	86,215	3,391,643

Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2004

	(Unaudited) Six months ended 30 September	
	2004 HK\$'000	2003 HK\$'000
Net cash from (used in) operating activities	204,715	(92,722)
Net cash used in investing activities	(12,124)	(67,937)
Net cash used in financing activities	(35,076)	(33,392)
Net increase (decrease) in cash and cash equivalents	157,515	(194,051)
Cash and cash equivalents at beginning of the period	373,623	497,167
Effect of foreign exchange rate changes	(2,875)	478
Cash and cash equivalents at end of the period	528,263	303,594
Represented by:		
Bank balances and cash	528,263	303,594

Notes to the Condensed Interim Financial Accounts

For the six months ended 30 September 2004

1 Basis of Preparation

The unaudited condensed consolidated interim financial accounts (the "interim financial accounts") have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Statement of Standard Accounting Practice No. 25 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants.

2 Principal Accounting Policies

The interim financial accounts have been prepared under the historical cost convention, as modified for the revaluation of certain properties.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual accounts for the year ended 31 March 2004.

3 Turnover and Revenues

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. Revenues recognised during the period are as follows:

	Six months ended 30 September	
	2004 HK\$'000	2003 HK\$'000
Turnover		
Sales of newspapers	325,909	263,203
Sales of books and magazines	155,958	161,252
Newspapers advertising income	569,797	419,612
Books and magazines advertising income	287,859	217,993
Printing and reprographic service income	89,115	66,714
Internet content provision and advertising income	11,586	9,600
	1,440,224	1,138,374
Other revenues		
Sales of waste materials	9,575	8,482
Interest income on bank deposits	1,619	1,644
Rental income	923	1,002
Others	1,328	1,003
	13,445	12,131
Total revenues	1,453,669	1,150,505

Notes to the Condensed Interim Financial Accounts (Continued)

For the six months ended 30 September 2004

4 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:

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

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

Six months ended 30 September 2004

	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	Eliminations HK\$'000	Consolidated HK\$'000
TURNOVER						
External sales	925,885	443,817	58,936	11,586	–	1,440,224
Inter-segment sales	–	54	87,539	–	(87,593)	–
	925,885	443,871	146,475	11,586	(87,593)	1,440,224
RESULTS						
Segment results	17,451	77,036	22,010	5,486	–	121,983
Other revenues						13,445
Operating profit						135,428
Finance costs						(2,850)
Profit before taxation						132,578
Taxation						(41,546)
Profit for the period						91,032

Notes to the Condensed Interim Financial Accounts (Continued)

For the six months ended 30 September 2004

4 Segmental Information *(continued)*

Six months 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	Eliminations HK\$'000	Consolidated HK\$'000
TURNOVER						
External sales	694,931	379,242	54,601	9,600	–	1,138,374
Inter-segment sales	–	23	78,189	34	(78,246)	–
	694,931	379,265	132,790	9,634	(78,246)	1,138,374
RESULTS						
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 the Condensed Interim Financial Accounts (Continued)

For the six months ended 30 September 2004

4 Segmental Information *(continued)*

Secondary reporting format – geographical segments

	Six months ended 30 September 2004		Six months ended 30 September 2003	
	Turnover HK\$'000	Segment results HK\$'000	Turnover HK\$'000	Segment results HK\$'000
Hong Kong	978,087	217,958	921,914	227,526
Taiwan	414,010	(115,869)	173,570	(334,581)
North America	33,117	12,395	27,448	10,835
Europe	11,451	5,626	12,482	6,544
Australasia	3,559	1,873	2,960	1,559
	1,440,224	121,983	1,138,374	(88,117)
Other revenues		13,445		12,131
Operating profit (loss)		135,428		(75,986)

5 Operating Profit (Loss)

	Six months ended 30 September	
	2004 HK\$'000	2003 HK\$'000
Operating profit (loss) has been arrived at after charging the following:		
Cost of raw materials consumed in production	534,897	421,680
Allowance for bad and doubtful debts	9,092	4,915
Operating lease expenses on:		
Properties	3,050	3,361
Other assets	5,508	5,172
Depreciation of fixed assets	72,171	66,420
Amortisation of intangible assets (included in administrative expenses)	45,770	45,769
and after crediting the following:		
Gain on disposal of fixed assets	43	107

Notes to the Condensed Interim Financial Accounts (Continued)

For the six months ended 30 September 2004

6 Finance Costs

	Six months ended 30 September	
	2004 HK\$'000	2003 HK\$'000
Interest expenses on:		
Bank borrowings wholly repayable within five year	2,204	2,752
Other bank borrowings	646	1,525
	2,850	4,277
Less: Interest capitalised in fixed assets	–	(96)
	2,850	4,181

7 Taxation

	Six months ended 30 September	
	2004 HK\$'000	2003 HK\$'000
The charge (credit) comprises:		
Current tax:		
Hong Kong	48,752	50,384
Other jurisdiction	–	192
	48,752	50,576
Deferred tax:		
Current period	(7,206)	(21,730)
	41,546	28,846

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.

Notes to the Condensed Interim Financial Accounts (Continued)

For the six months ended 30 September 2004

8 Dividend

No dividends were paid during the period. The directors do not recommend the payment of any interim dividend.

9 Earnings (Loss) Per Share

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

	Six months ended 30 September	
	2004 HK\$'000	2003 HK\$'000
Profit (loss) for the period:		
Earnings (loss) for the purposes of basic and diluted earnings (loss) per share	91,032	(109,124)
	No. of shares	No. of shares
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	1,480,405,853	1,343,897,287
Share options	6,293,333	7,012,779
Convertible preference shares	920,000,000	920,000,000
Weighted average number of ordinary shares for the purposes of diluted earnings (loss) per share	2,406,699,186	2,270,910,066

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

Notes to the Condensed Interim Financial Accounts (Continued)

For the six months ended 30 September 2004

10 Capital Expenditure

	Intangible assets HK\$'000	Fixed assets HK\$'000
Cost or Valuation		
At 1 April 2004	1,820,930	2,246,438
Current realignment	–	(26,117)
Additions	–	17,848
Disposals	–	(3,366)
At 30 September 2004	1,820,930	2,234,803
Accumulated Amortisation, Depreciation and Impairment Losses		
At 1 April 2004	246,592	389,818
Currency realignment	–	(1,250)
Charge for the period	45,770	72,171
Disposals	–	(2,716)
At 30 September 2004	292,362	458,023
Net Book Values		
At 30 September 2004	1,528,568	1,776,780
At 31 March 2004	1,574,338	1,856,620

Notes to the Condensed Interim Financial Accounts (Continued)

For the six months ended 30 September 2004

11 Accounts Receivable, Deposits and Prepayments

	30 September 2004 HK\$'000	31 March 2004 HK\$'000
Accounts receivable, net	442,998	409,809
Prepayments	44,343	55,738
Rental and other deposits	8,600	2,791
Deposits for the acquisition of fixed assets	1,721	3,626
Others	16,152	8,533
	513,814	480,497

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:

	30 September 2004 HK\$'000	31 March 2004 HK\$'000
0 – 1 month	190,415	159,145
1 – 3 months	211,907	170,838
Over 3 months	80,822	112,470
	483,144	442,453
Less: Allowance for bad and doubtful debts	(40,146)	(32,644)
	442,998	409,809

Notes to the Condensed Interim Financial Accounts (Continued)

For the six months ended 30 September 2004

12 Accounts Payable and Accrued Charges

	30 September 2004 HK\$'000	31 March 2004 HK\$'000
Accounts payable	101,903	97,405
Accrued charges	329,380	301,026
	431,283	398,431

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

	30 September 2004 HK\$'000	31 March 2004 HK\$'000
0 – 1 month	57,379	58,825
1 – 3 months	31,280	26,754
Over 3 months	13,244	11,826
	101,903	97,405

Notes to the Condensed Interim Financial Accounts (Continued)

For the six months ended 30 September 2004

13 Long-term Liabilities

	30 September 2004 HK\$'000	31 March 2004 HK\$'000
Secured bank loans	264,168	296,394
Current portion of secured bank loans	(60,501)	(60,636)
	203,667	235,758

An analysis of the above is as follows:

	30 September 2004 HK\$'000	31 March 2004 HK\$'000
Secured bank loans repayable		
– within one year	60,501	60,636
– in the second year	60,956	61,095
– in the third to fifth years, inclusive	142,089	166,444
– after the fifth year	622	8,219
	264,168	296,394
Less: Current portion	(60,501)	(60,636)
	203,667	235,758

Note:

At 30 September 2004, 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\$690.5 million (at 31 March 2004: HK\$695.8 million); and

Certain of the Group's plant and machinery with an aggregate net book value of approximately HK\$307.7 million (at 31 March 2004: HK\$317.8 million).

Notes to the Condensed Interim Financial Accounts (Continued)

For the six months ended 30 September 2004

14 Share Capital

	Authorised			
	2% convertible non-voting, non-cumulative, preference share ("Preference shares")		Ordinary shares	
	No. of shares	HK\$'000	No. of shares	HK\$'000
Preferences shares of HK\$1.75 each and ordinary shares of HK\$1.00 each				
At 1 April 2003, 1 April 2004 and 30 September 2004	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 2003	1,160,000,000	2,030,000	1,233,661,176	1,233,661
Exercise of share options	–	–	4,973,400	4,974
Conversion of preference shares	(240,000,000)	(420,000)	240,000,000	240,000
At 31 March 2004 and 1 April 2004	920,000,000	1,610,000	1,478,634,576	1,478,635
Exercise of share options	–	–	2,040,305	2,040
At 30 September 2004	920,000,000	1,610,000	1,480,674,881	1,480,675
			30 September 2004 HK\$'000	31 March 2004 HK\$'000
Total issued and fully paid share capital			1,610,000	1,610,000
Preference shares of HK\$1.75 each			1,480,675	1,478,635
Ordinary shares of HK\$1.00 each			3,090,675	3,088,635

Notes to the Condensed Interim Financial Accounts (Continued)

For the six months ended 30 September 2004

15 Contingent Liabilities

(a) Pending litigations

As at 30 September 2004, 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 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 bank guarantee expired on 25 October 2004 and has been renewed for another three years.

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.

Notes to the Condensed Interim Financial Accounts (Continued)

For the six months ended 30 September 2004

15 Contingent Liabilities *(continued)*

(b) Guarantees

	The Company	
	30 September 2004 HK\$'000	31 March 2004 HK\$'000
Guarantees given to financial institutions in respect of credit facilities utilised by subsidiaries	196,641	224,918

16 Commitments

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

	30 September 2004 HK\$'000	31 March 2004 HK\$'000
Authorised but not contracted for	–	6,367
Contracted but not provided for	9,649	7,990
	9,649	14,357

(b) Commitments under operating leases

At 30 September 2004, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	30 September 2004			31 March 2004		
	Properties HK\$'000	Other assets HK\$'000	Total HK\$'000	Properties HK\$'000	Other assets HK\$'000	Total HK\$'000
Not later than one year	3,665	9,537	13,202	5,029	8,498	13,527
Later than one year but not later than five years	519	4,427	4,946	1,433	5,615	7,048
	4,184	13,964	18,148	6,462	14,113	20,575

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

Independent Review Report

Deloitte. 德勤

To the Board of Directors of Next Media Limited
(incorporated in Hong Kong with limited liability)

We have been instructed by the Company to review the interim financial accounts set out on pages 19 to 35.

Directors' responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial accounts to be in compliance with Statement of Standard Accounting Practice No. 25 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial accounts 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 accounts, 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 No. 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 group 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 2004.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 6 December 2004