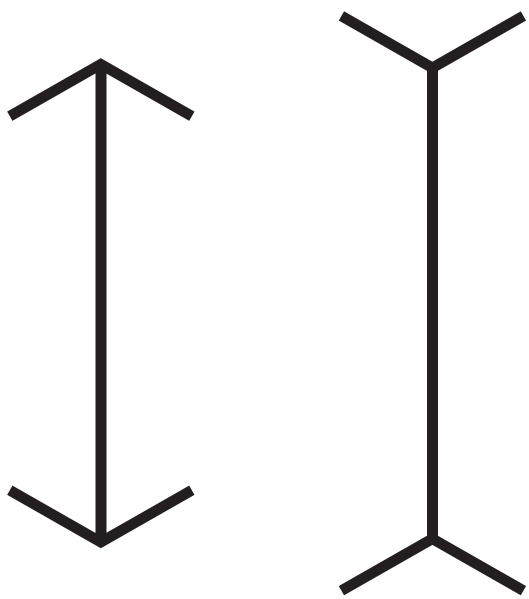
True Dimensions

NEXTmedia



Hong Kong Market

Maintained Excellence: Achieved Steady growth

Taiwan Market

Overwhelming Progress:
Achieved remarkable performance

Next Media Limited
Interim Report 2005/06

CONTENTS

Turnover

HK$1,688.1 million

Net profit

HK$224.2 million

Basic earnings
per share

HK15.1 cents

Group Financial Highlights

Results	(Unaudited) Six months ended 30 September 2005 HK$'000	2004 HK$'000
Turnover	**1,688,074**	1,440,224
Earnings before interest, tax, depreciation, impairment and amortisation	**361,424**	253,369
Profit for the period	**224,227**	91,032
Basic earnings per share	**HK15.1 cents**	HK6.1 cents
Diluted earnings per share	**HK9.3 cents**	HK3.8 cents

Balance Sheet	(Unaudited) **As at 30 September 2005** HK$'000	(Audited and restated)* As at 31 March 2005 HK$'000
Current assets	**1,952,779**	1,307,877
Non-current assets	**3,002,566**	3,120,502
Total assets	**4,955,345**	4,428,379
Current liabilities	**663,429**	442,084
Non-current liabilities	**646,381**	499,463
Total liabilities	**1,309,810**	941,547
Net assets	**3,645,535**	3,486,832
Ratio Analysis		
Current ratio	**294.3%**	295.8%
Quick ratio	**269.9%**	254.3%
Gearing ratio	**8.8%**	4.9%

* In the current period, the Group has applied for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"). Certain balance sheet items were restated for these reasons. Please refer to note 3 to the Condensed Consolidated Financial Statements for details.

Management Discussion & Analysis

The Group's Taiwan operations made good progress during the six months up to 30 September 2005. Since its launch in May 2003, *Taiwan Apple Daily* has become the most widely read newspaper on the island, and it is now on track to break even. *Taiwan Next Magazine* maintained its market leadership during the period under review, and it substantially increased its year-on-year profit. Building on these solid foundations, the Group expects to derive significant profits from Taiwan over the coming years.

Meanwhile, the Group's core operations in Hong Kong continued to develop in a stable and satisfactory manner. Its flagship publications, *Apple Daily* and *Next Magazine*, maintained their strong positions in the daily newspaper and weekly magazine markets.



The board of directors (the "Board" or the "Directors") of Next Media Limited (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 2005 together with the comparative figures for the last corresponding period.

BUSINESSES

The Group is principally 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 turnover of HK$1,688.1 million during the six months ended 30 September 2005. This represents a considerable increase of 17.2% compared with the figure of HK$1,440.2 million for the same period in 2004. Much of this is attributable to the encouraging improvement in circulation and advertising sales of *Taiwan Apple Daily* as well as the growth in the turnover of *Taiwan Next Magazine*. Meanwhile, the turnover of all the Group's Hong Kong publications remained stable.

The Group's EBIDTA totalled

HK$361.4 million

an increase of 42.6% over the figure of HK$253.4 million for the corresponding period in 2004.

42.6%

The Group's earnings before interest, tax, depreciation, impairment and amortisation totalled HK$361.4 million, an increase of 42.6% over the figure of HK$253.4 million for the corresponding period in 2004. Basic earnings per share were HK15.1 cents, compared with HK6.1 cents for the same period last year.

The Group also recorded an unaudited consolidated profit of HK$224.2 million, a sizeable increase of 146.4% from the figure of HK$91.0 million for the same period in 2004. This was mainly the result of a reduction in the loss of *Taiwan Apple Daily*, as well as the greater profitability of *Taiwan Next Magazine*.

NEWSPAPERS PUBLICATION AND PRINTING DIVISION

Hong Kong's economy continued to improve during the period under review. The unemployment rate decreased and market sentiment strengthened. Consumer spending grew considerably, and this led to an increase in the advertising revenue of the Group's publications. Although the newspaper market became more competitive as the result of the launch of two free dailies, *Apple Daily* was able to maintain stable growth momentum.

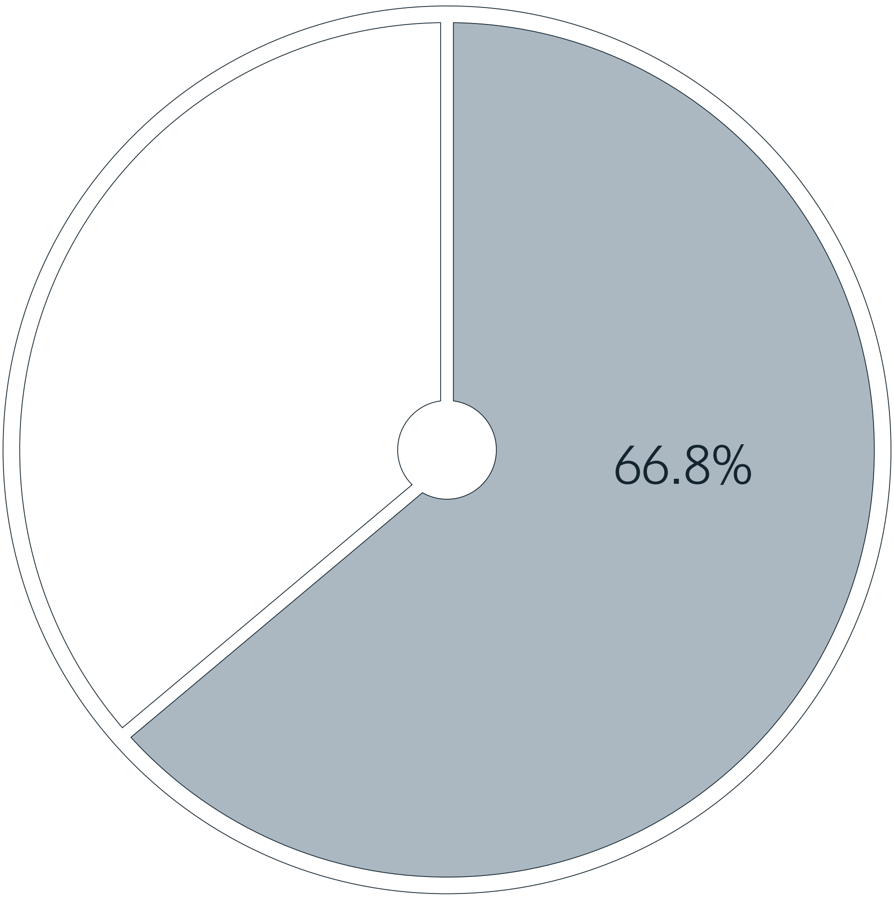
Taiwan's economic outlook was positive. *Taiwan Apple Daily* benefited from this in terms of increased circulation income and advertising revenue. Despite a background of fierce competition within the newspaper market, *Taiwan Apple Daily* achieved the breakthrough of becoming the island's most widely read newspaper.

Turnover of the Newspapers Publication and Printing Division was mainly attributable to *Apply Daily* and *Taiwan Apple Daily*. During the period under review, the Division achieved an increase of 21.9% in its turnover, from HK$925.9 million to HK$1,128.3 million, and recorded a segment profit of HK$126.3 million, compared with a segment profit of HK$17.5 million for the same period last year. This substantial increase was mainly attributable to the improved results of *Taiwan Apple Daily*.

The turnover of the Newspapers Publication and Printing Division was mainly attributable to *Apple Daily* and *Taiwan Apple Daily*, and amounted to

HK$1,128.3 million

representing 66.8% of the Group's total turnover



The circulation of *Taiwan Apple Daily* continued to rise. Its average daily sales in the first half of 2005 were

531,434 copies

The average daily circulation of *Apple Daily* in the first six months of 2005 was 343,187 copies[1]. It enjoyed a market share of 26.0%, and an average daily readership of 1,327,000 people aged 12 and above[2].

The circulation of *Taiwan Apple Daily* continued to rise. Its average daily sales in the first half of 2005 were 531,434 copies[3], representing an increase of 79,938 copies or 17.7% from the figure of 451,496 copies for the first half of last year. *Taiwan Apple Daily's* readership grew to 2,637,000[4], compared with 1,848,000 for the same period of 2004, representing an increase of 42.7%. This put it neck-and-neck with *Liberty Times* as Taiwan's most widely read daily.

In addition, *Taiwan Apple Daily*'s turnover grew remarkably, due to increases in both its advertising and circulation revenue. As a result, its overall operating loss narrowed substantially. The Group expects this positive trend to continue as a result of the newspaper's burgeoning advertising sales, and extra income generated from the raising of its cover price from NT$10 to NT$15 since 1 September 2005.

The Hong Kong newspapers printing business also expanded. Its turnover during the period under review rose by 10.1% to HK$199.9 million, compared with the figure of HK$181.5 million in the same period of 2004. This is resulted from additional orders received from a major external customer and an increase in the average number of content pages of *Apple Daily*. Its profitability also increased by 3.5% to HK$73.2 million over the figure of HK$70.7 million in the corresponding period last year.

BOOKS AND MAGAZINES PUBLICATION DIVISION

The Books and Magazines Publication Division experienced an increase in its turnover, which rose to HK$477.7 million in the six months ended 30 September 2005, 7.6% higher than the figure of HK$443.9 million for the same period last year. This mainly stemmed from the increased turnover of *Sudden Weekly* and *Eat & Travel Weekly* (the "*Sudden Weekly Bundle*"), *Easy Finder* and *Eat & Travel Weekly* (the "*Easy Finder Bundle*") and *Taiwan Next Magazine*.

Both the turnover and profit of *Next Magazine* remained stable, and were comparable to the same period last year. During the period under review, *Next Magazine* generated HK$150.8 million in revenue. While the magazine's circulation declined slightly, to an average of 139,197 copies a week[1] in the six months ended 30 June 2005, it maintained its lead as Hong Kong's second most widely read weekly, enjoying an average weekly readership of 515,000[2] during the twelve months ended 30 June 2005.

The turnover of the *Sudden Weekly Bundle* continued to increase. The magazine generated HK$123.8 million in turnover during the six months ended 30 September 2005, 5.9% more than the HK$116.9 million in the same period of 2004. Although the *Sudden Weekly Bundle's* circulation and profit dipped slightly, it maintained its status as Hong Kong's most popular weekly, with an average circulation of 195,706 copies[1] and a readership of 563,000[2].

Mainly as a result of increased advertising revenue, the turnover of the *Easy Finder Bundle* grew moderately, whereas its profit increased drastically, compared with the corresponding period last year. This most popular infotainment weekly among Hong Kong youngsters generated HK$75.9 million in revenue in the six months ended 30 September 2005, representing an increase of 8.9% over the figure of HK$69.7 million for the same period last year. Its sales averaged 99,489 copies[1] and it had a readership of 294,000[2].

Taiwan Next Magazine generated

HK$126.4 million in revenue

and achieved average weekly sales of **142,087 copies**

Taiwan Next Magazine's turnover, profitability and readership all continued to grow. Its revenue for the six months up to 30 September 2005 amounted to HK$126.4 million, representing an increase of 16.3% over the figure of HK$108.7 million during the same period last year. It achieved average weekly sales of 142,087 copies[3] during the first half of 2005. It is also by far Taiwan's most widely read weekly magazine with a readership of 1,650,000[4].

BOOKS AND MAGAZINES PRINTING DIVISION

The Books and Magazines Printing Division continued to contribute to the Group's results. During the six months ended 30 September 2005, it achieved a turnover of HK$166.9 million before the elimination of inter-segment transactions of HK$99.4 million, which represented an increase of 13.9% over the figure of HK$146.5 million for the same period last year. The Division recorded HK$24.6 million in segment profit, representing a 11.8% increase over the figure of HK$22.0 million for the corresponding period in 2004. The Division enjoys a high reputation in the quality printing industry, and the Directors believe that it will continue to generate stable revenue and profit for the Group in the future.

INTERNET DIVISION

The Internet Division's business remained stable. Its turnover increased during the period under review from HK$11.6 million to HK$14.6 million, and its segment profit increased slightly to HK$5.9 million, representing a 7.3% increase over the corresponding period last year.



FUTURE PROSPECTS AND OUTLOOK

Although there are concerns about interest rate rises and the possibility of an outbreak of pandemic avian influenza, the outlook of Hong Kong's economy in the coming months is favourable, and the business environment is likely to be good. Unemployment is expected to relieve, while consumer spending is set to increase.

Likewise, Taiwan's overall economic climate is expected to remain positive, and the outlook for the media industry is encouraging. The Group intends to continue building its operations on the island.

The losses of *Taiwan Apple Daily* continue to narrow, and the newspaper recorded a profit in July 2005. As its turnover increases, the Group expects its profitability to improve further during the coming months; and it is on target to become an important profit centre in the future.

The entry of two more free dailies – *Headline Daily* and *am730* – into the Hong Kong free newspaper market during July 2005 is expected to have little impact on *Apple Daily*, since the presentation and target readership of both publications are different from those of *Apple Daily*. On the other hand, it remains to be seen what effect the decision by one daily newspaper to halve its cover price in October will have on developments in the market during the coming months.

Leveraging on the success of *Taiwan Next Magazine* and *Taiwan Apple Daily*, the Group is considering opportunities to expand its presence in Taiwan in the near future. This will pave the way for the Group to derive more of its profits from Taiwan in the coming years.

Sources:

[1] Hong Kong Audit Bureau of Circulations Ltd.
[2] 2005 Nielsen Media Index: Hong Kong Report (July 2004 – June 2005)
[3] The Audit Bureau of Circulations, ROC
[4] ACNielsen (Taiwan) Limited

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 and accepted by Apple Daily Limited. The outstanding loan balance as at 30 September 2005 amounted to HK$130.0 million. In view of the Group's strong cash flow and the trend of rising interest rates in the foreseeable future, the Group repaid the entire amount outstanding under the syndicated loan on 3 November 2005.

As at 30 September 2005, the Group had available banking facilities totalling HK$546.4 million, of which HK$441.0 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 denominated in Hong Kong Dollars and New Taiwanese Dollars.

As at 30 September 2005, the Group had HK$1,157.5 million in bank balances and cash reserves. The current ratio as at 30 September 2005 was 294.3% compared to 295.8% as at 31 March 2005. As a result of the drawdown of the New Taiwanese Dollar term loan during the period under review, the gearing ratio of the Group as at 30 September 2005, calculated by dividing long-term liabilities including current portions by total asset value, increased to 8.8%, compared with the 4.9% as at 31 March 2005.

ASSETS PLEDGED

As at 30 September 2005, the Group had pledged its properties and certain printing equipment in Hong Kong and Taiwan with an aggregate net book value of HK$1,225.8 million to various banks as security for bank loans and general banking facilities granted to the Group. Upon repayment of the outstanding syndicated loan facility for HK$130.0

million on 3 November 2005, properties and printing equipment with a net book value as at 30 September 2005 of HK$561.5 million that had previously been pledged to the banks were released from this pledge; thus, the aggregate net book value of assets pledged to various banks was reduced to HK$664.3 million.

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 4-year term loan for NTD1.2 billion with local banks in Taiwan, and this loan was drawn down in two tranches: NTD500.0 million and NTD700.0 million in April and June 2005, respectively. The Group's net currency exposure as at 30 September 2005 was NTD4,622.5 million (equivalent to HK$1,080.5 million). The Group will closely monitor its overall currency exposure and, when considered appropriate, will further hedge against such exposure.

During the six months ended 30 September 2005, the Group's capital expenditure amounted to HK$19.2 million, including HK$6.9 million for its Taiwan operations. As at 30 September 2005, the capital expenditure committed for its operations amounted to HK$102.4 million, including HK$49.5 million for its Taiwan operations.

SHARE CAPITAL STRUCTURE

During the period under review, 3,130,300 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 2005, the total issued share capital of the Company was HK$3,095,903,781 divided into 1,485,903,781 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 2005, 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, 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$60.0 million in favour of the Group in respect of his obligations under the Indemnity. Having taken into consideration the advice of the Group’s legal counsels 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 2005, 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$381.8 million. Following the repayment of the syndicated loan facility of HK$130.0 million on 3 November 2005, the Company was released from an equivalent amount of its guarantee. The total amount of guarantees given by the Company to financial institutions for facilities utilised by its subsidiaries was accordingly reduced to HK$251.8 million.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2005, the Group employed a total of 3,337 employees, of whom 1,814 employees were in Hong Kong, 1,516 employees were in Taiwan and 7 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 2004/05 annual report. Total staff costs for the six months ended 30 September 2005 amounted to HK$500.7 million (for the six months ended 30 September 2004: HK$457.2 million).

DIVIDENDS

The Directors have declared an interim dividend of HK5.0 cents per ordinary share (2004/05: Nil) and a special dividend of HK25.0 cents per ordinary share (2004/05: Nil), amounting to HK$445.8 million. These are payable to shareholders whose names appear on the Register of Members of the Company on Friday, 6 January 2006.

BOOK CLOSURE

The Register of Members of the Company will be closed from Wednesday, 4 January 2006 to Friday, 6 January 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 no later than 4:00 p.m. on Tuesday, 3 January 2006 so as to qualify for the interim dividend and special dividend. Dividend warrants will be despatched on or around Thursday, 12 January 2006.

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 Governance

The Company is committed to high standards of corporate governance. As disclosed in the Corporate Governance Section of the 2004/05 annual report, the Company has implemented a range of additional governance structures and procedures to ensure the application of good corporate governance practices. In this interim report, we give a brief update on the Company's corporate governance practices.

BOARD OF DIRECTORS

As at 30 September 2005, the Board consisted of seven Directors, three of them are Independent Non-executive Directors. The Directors have a mix of core competences and experience with which to lead the Group effectively. Detailed profiles of the seven Directors are posted on the Company's website *http://www.nextmedia.com*.

The three Independent Non-executive Directors – Mr. Yeh V-Nee, Mr. Fok Kwong Hang, Terry, and Dr. Kao Kuen, Charles – have been appointed for a specific term of two years commencing 1 April 2005. They are subject to the re-election provisions in the Company's Articles of Association. None of them has any financial, business or family relationship with the other Executive Directors, including the Chairman. They participate 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. They also serve on the Audit Committee and the Remuneration Committee.

BOARD ACTIVITIES

During the six months ended 30 September 2005, the Board held two meetings. With the exception of Mr. Lai, the Chairman, who was only able to attend one meeting, all the Directors attended both meetings.

AUDIT COMMITTEE

The Audit Committee is comprised entirely of three Independent Non-executive Directors of the Company. Revised terms of reference were adopted on 15 March 2005 to ensure its continued full compliance with the provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") which came into effect on 1 January 2005. Full details of the Audit Committee's role and terms of reference can be found in the Company's website.

The Audit Committee, chaired by Mr. Yeh V-Nee, has reviewed with the management the Group's accounting principles and practices, internal controls and financial reporting matters including the review of the unaudited condensed consolidated financial statements for the six months ended 30 September 2005. Deloitte Touche Tohmatsu, the Group's external auditors, have carried out a review of the unaudited condensed consolidated financial statements in accordance with the Statement of Audited Standards No. 700 "Engagements to review interim financial reports" issued by HKICPA.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 15 March 2005 with terms of reference that specify its authority and duties. Full details of the Remuneration Committee including its functions and terms of reference can be found at *http://www.nextmedia.com*.

The Remuneration Committee comprises five members, three of them are Independent Non-executive Directors; the remaining two members are Mr. Ting Ka Yu, Stephen, and Mr. Tung Chuen Cheuk, both of them are Executive Directors.

INTERNAL CONTROL

The Board has acknowledged 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 have been laid down to ensure that transactions are carried out with proper approval from the senior management. The Board conducts comprehensive half-year review 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 the assistance of the external auditors.

INVESTOR RELATIONS

The Company has provided various channels to communicate with its shareholders and investors. The Company disseminates information on a timely manner through the publication of press releases, formal announcements and corporate documents. The Company's annual general meeting provides a forum for the Board members and shareholders to exchange opinions and ideas. The Company's 2005 Annual General Meeting was held on 29 July 2005, at 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

During the six months ended 30 September 2005, 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 as an Executive Chairman of the Group. The Company at present does not have any office 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 the Board's present structure and its delegation of duties to Executive Directors work effectively, and do 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 2005 Annual General Meeting held on 29 July 2005 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 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

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	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 Bank of America (Asia) Ltd.
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 and Transfer Office	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17/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 2005

Shareholders of Ordinary Shares	
Mr. Lai	65.86%
Directors other than Mr. Lai	1.06%
Others	33.08%
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
Issued Share Capital	HK$3,095,903,781
Ordinary Shares	1,485,903,781 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	9,331,100 Option Shares
at an exercise price of HK$3.325 each	1,000,000 Option Shares

Market Capitalisation	
at HK$3.40 per Ordinary Share (closing price on 30 September 2005)	HK$5.05 billion
Stock Code	
The Stock Exchange of Hong Kong Limited – Main Board	282
Board Lot	2,000 Ordinary Shares

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

As at 30 September 2005, 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 in the Listing Rules:

(a) Interests in the Company

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

Name of director/ chief executive	Personal interests	Number of shares Family interests	Corporate interests	Other interests	Interests in underlying shares/equity derivatives	Total shares	Percentage of issued share capital
1. Ordinary Shares							
Mr. Lai	973,902,535	–	4,692,400	–	920,000,000 (Note 1)	1,898,594,935	127.77 (Note 5)
Ting Ka Yu, Stephen	90,314	–	–	–	1,618,000 (Note 2)	1,708,314	0.11
Ip Yut Kin	9,432,377	2,540,000	–	–	–	11,972,377	0.81
Tung Chuen Cheuk	1,736,800	30,000	–	–	2,536,000 (Note 2)	4,302,800	0.29
Yeh V-Nee	300,000	–	–	26,000 (Note 3)	–	326,000	0.02
Fok Kwong Hang, Terry	1,500,000	–	–	–	–	1,500,000	0.10

Name of director/ chief executive	Personal interests	Number of shares Family interests	Corporate interests	Other interests	Interests in underlying shares/ equity derivatives	Total shares	Percentage of issued share capital
2. Preference Shares							
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 the Directors and chief executive of the Company:

Apple Daily Publication Development Limited

Name of director/ chief executive	Personal interests	Number of shares Family interests	Corporate interests	Other interests	Interests in underlying shares/equity derivatives	Total shares	Percentage of issued share capital
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

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.

(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".

(5) This percentage figure is calculated on the assumption that upon the conversion of 920,000,000 2% convertible non-voting non-cumulative preference shares of HK$1.75 each into 920,000,000 ordinary shares of HK$1.00 each of the Company ("Ordinary Shares") by Mr. Lai, his ordinary shareholding would be increased to 1,898,594,935 Ordinary Shares, representing approximately 127.77% of the total issued ordinary share capital of 1,485,903,781 Ordinary Shares as at 30 September 2005 and approximately 78.91% of the pro forma issued ordinary share capital of 2,405,903,781 Ordinary Shares as enlarged by the conversion.

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 2005.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at 30 September 2005, 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:

Name of shareholder	Number of shares/ underlying shares held	Percentage of issued share capital
Li Wan Kam, Teresa	1,898,594,935 (Note)	127.77
Marathon Asset Management Ltd.	108,065,912	7.27

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 2005.

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 amended on 31 July 2002 to comply with the requirements under Chapter 17 of the Listing Rules.

Details of the outstanding share options granted under the 2000 Share Option Scheme as at 30 September 2005 are as follows:

2000 Share Option Scheme

Name or category of participant	No. of options as at 01/04/05	No. of options granted during the period	Date of grant	Exercise price per share	Exercisable period	No. of options exercised during the period	Outstanding as at 30/09/05
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	8,307,400	–	18/03/2002	HK$1.67	19/03/2003–28/12/2010	3,130,300	5,177,100
	–	1,000,000	24/08/2005	HK$3.325	25/08/2006–28/12/2010	–	1,000,000
In aggregate and total outstanding							10,331,100

Note: The weighted average closing price immediately before the dates on which the options were exercised was HK$3.40.

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 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 2005. It is an appropriate model to estimate the fair value of an option which can be exercised before the expiry of the option period. The assumptions used in the calculation are:

- Risk-free Rate – 3.9% per annum
- Volatility – 40% per annum
- Expected Dividend Yield – 0% 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 24 August 2005 was HK$1,086,900. An amount of HK$64,000 is recognised in the income statement for the six months ended 30 September 2005 in respect of the value of the option granted during the period. For details, please refer to note 2(b) 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"), both of which are wholly-owned subsidiaries of the Company, each 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 shareholders of the Company approved to refresh the current mandate limit of the ADPDL 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 shares of HK$0.01 each under the refreshed mandate limit.

Details of the outstanding share options granted under the Subsidiary Share Option Schemes at 30 September 2005 are as follows:

Apple Daily Publication Development Limited

Name or category of participant	No. of options as at 01/04/05	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 30/09/05
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

Name or category of participant	No. of options as at 01/04/05	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 30/09/05
Employees							
In aggregate	230,000	–	08/01/2003	(Note)	Not yet determined	–	230,000
	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
In aggregate and total outstanding							680,000

Next Media Publishing Limited

Name or category of participant	No. of options as at 01/04/05	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 30/09/05
Employees							
In aggregate	275,000	–	08/01/2003	(Note)	Not yet determined	100,000	175,000
	50,000	–	12/01/2004	(Note)	Not yet determined	50,000	–
	200,000	–	03/01/05	(Note)	Not yet determined	25,000	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 has had no effect on the Group's net profit for the six months ended 30 September 2005.

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 2005.

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 2005.

APPRECIATION

Taking this opportunity, the Board would like to thank all our staff for their dedication and hard working and our shareholders, business partners and customers for their trust and support over the past years.

By order of the Board
Ting Ka Yu, Stephen
Director
Hong Kong, 5 December 2005

Condensed Consolidated Income Statement

For the six months ended 30 September 2005

		Six months ended 30 September	
	Notes	**2005**	2004
		HK$'000	HK$'000
		(unaudited)	(unaudited)
Turnover	4	**1,688,074**	1,440,224
Production costs		**(1,041,274)**	(903,464)
Gross profit		**646,800**	536,760
Other income	4	**20,860**	13,445
Administrative expenses		**(389,890)**	(414,777)
Finance costs	6	**(6,465)**	(2,850)
Profit before taxation	7	**271,305**	132,578
Taxation	8	**(47,078)**	(41,546)
Profit for the period		**224,227**	91,032
Attributable to:			
Equity holders of the parent		**224,227**	91,032
Minority interests		**–**	–
		224,227	91,032
Dividends	9	**461,871**	–
Earnings per share	10		
Basic		**15.1 cents**	6.1 cents
Diluted		**9.3 cents**	3.8 cents

Condensed Consolidated Balance Sheet

At 30 September 2005 and 31 March 2005

	Notes	30 September 2005 HK$'000 (unaudited)	31 March 2005 HK$'000 (audited and restated)
NON-CURRENT ASSETS			
Intangible assets	11	**1,345,881**	1,345,881
Property, plant and equipment	11	**1,579,726**	1,689,872
Prepaid lease payments	12	**73,237**	83,691
Deferred tax assets		**3,722**	1,058
		3,002,566	3,120,502
CURRENT ASSETS			
Inventories		**161,884**	183,710
Prepaid lease payments	12	**1,797**	2,041
Accounts receivable, deposits and prepayments	13	**631,103**	523,354
Derivative financial instruments	14	**453**	–
Bank balances and cash	20	**1,157,542**	598,772
		1,952,779	1,307,877
CURRENT LIABILITIES			
Accounts payable and accrued charges	15	**497,165**	372,713
Current portion of long-term liabilities	16	**132,193**	53,793
Taxation payable		**34,071**	15,578
		663,429	442,084
NET CURRENT ASSETS		**1,289,350**	865,793
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,291,916**	3,986,295
NON-CURRENT LIABILITIES			
Long-term liabilities	16	**305,808**	163,441
Pensions obligations		**20,899**	19,061
Deferred tax liabilities		**319,674**	316,961
		646,381	499,463
NET ASSETS		**3,645,535**	3,486,832
CAPITAL AND RESERVES			
Share capital	17	**3,095,904**	3,092,774
Reserves		**547,571**	391,998
Equity attributable to equity holders of the parent		**3,643,475**	3,484,772
Minority interests		**2,060**	2,060
TOTAL EQUITY		**3,645,535**	3,486,832

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2005

	Attributable to equity holders of the parent									
	Share capital HK$'000	Share premium HK$'000	Property revaluation reserve HK$'000	Translation reserve HK$'000	Goodwill reserve HK$'000	Share option reserve HK$'000	Accumulated (loss) profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 April 2004										
As originally stated	3,088,635	219,478	1,161	36,103	(15,559)	–	(4,817)	3,325,001	–	3,325,001
Effect of change in accounting policy	–	–	–	–	–	–	–	–	2,000	2,000
As restated	3,088,635	219,478	1,161	36,103	(15,559)	–	(4,817)	3,325,001	2,000	3,327,001
Currency realignment recognised directly in equity	–	–	–	(27,742)	–	–	–	(27,742)	–	(27,742)
Profit for the period	–	–	–	–	–	–	91,032	91,032	–	91,032
Total recognised income and expense for the period	–	–	–	(27,742)	–	–	91,032	63,290	–	63,290
Contribution from minority shareholders	–	–	–	–	–	–	–	–	60	60
Exercise of share options	2,040	1,312	–	–	–	–	–	3,352	–	3,352
At 30 September 2004 and 1 October 2004	3,090,675	220,790	1,161	8,361	(15,559)	–	86,215	3,391,643	2,060	3,393,703
Currency realignment recognised directly in equity	–	–	–	76,398	–	–	–	76,398	–	76,398
Profit for the period	–	–	–	–	–	–	13,225	13,225	–	13,225
Total recognised income and expense for the period	–	–	–	76,398	–	–	13,225	89,623	–	89,623
Exercise of share options	2,099	1,407	–	–	–	–	–	3,506	–	3,506
At 31 March 2005	3,092,774	222,197	1,161	84,759	(15,559)	–	99,440	3,484,772	2,060	3,486,832
Effect on change in accounting policy	–	–	–	–	15,559	–	(15,559)	–	–	–
At 1 April 2005 – as restated	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)
Employee share option benefits	–	–	–	–	–	64	–	64	–	64
Net income (expense) recognised directly in equity	–	–	–	(70,815)	–	64	–	(70,751)	–	(70,751)
Profit for the period	–	–	–	–	–	–	224,227	224,227	–	224,227
Total recognised income and expense for the period	–	–	–	(70,815)	–	64	224,227	153,476	–	153,476
Exercise of share options	3,130	2,097	–	–	–	–	–	5,227	–	5,227
At 30 September 2005	3,095,904	224,294	1,161	13,944	–	64	308,108	3,643,475	2,060	3,645,535

Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2005

	Six months ended 30 September	
	2005	2004
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Net cash from operating activities	**364,853**	204,715
Net cash from (used in) investing activities	**2,347**	(11,115)
Net cash from (used in) financing activities	**223,081**	(35,076)
Net increase in cash and cash equivalents	**590,281**	158,524
Cash and cash equivalents at beginning of the period	**593,361**	367,203
Effect of foreign exchange rate changes	**(31,511)**	(2,875)
Cash and cash equivalents at end of the period	**1,152,131**	522,852
Analysis of cash and cash equivalents		
Bank balances and cash excluding restricted bank balance of HK$5,411,000 (2004: HK$5,411,000)	**1,152,131**	522,852

1. BASIS OF PREPARATION

The condensed 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 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2005 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The application of HKAS 1 has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively.

The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

(a) Business Combinations

In the current period, the Group has applied the transitional provisions of HKFRS 3 "Business Combinations" to goodwill acquired in business combinations for which the agreement date was before 1 January 2005. The principal effects of the application of the transitional provisions of HKFRS 3 to the Group are summarised below:

Goodwill

Goodwill arising on acquisition prior to 1 January 2001 was held in reserves. The Group has applied the relevant transitional provisions in HKFRS 3. Goodwill previously recognised in reserves has been transferred to the Group's accumulated profits on 1 April 2005. Goodwill arising on acquisition after 1 January 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, the Group has derecognised all goodwill which was previously recorded in reserves with a corresponding decrease in accumulated profits. Except for the derecognition of goodwill reserve, this change in accounting policy had no effect on the Group's accumulated profits as at 1 April 2004 and 2005.

2. PRINCIPAL ACCOUNTING POLICIES – continued

(b) Share-based Payments

In the current period, the Group has applied HKFRS 2 "Share-based Payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1 April 2005. In relation to share options granted before 1 April 2005, the Group has not applied HKFRS 2 to share options granted on or before 7 November 2002 and share options that were granted after 7 November 2002 and had vested before 1 April 2005 in accordance with the relevant transitional provisions. However, the Group is still required to apply HKFRS 2 retrospectively to share options that were granted after 7 November 2002 and had not yet been vested on 1 April 2005. This change in accounting policy has resulted in a decrease in the net profit for the six months ended 30 September 2005 of HK$64,000 but had no effect on the Group's accumulated profits as at 1 April 2004 and 2005.

(c) Financial Instruments

In the current period, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. The application of HKAS 32 has had no material impact on how the financial instruments of the Group are presented for current and prior accounting periods. HKAS 39, which is effective for accounting periods beginning on or after 1 January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Financial assets and financial liabilities other than debt and equity securities

From 1 April 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of Statement of Standard Accounting Practice 24) in accordance with the requirements of HKAS 39. Financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method. This change in accounting policy had no effect on the Group's accumulated profits as at 1 April 2004 and 2005.

2. PRINCIPAL ACCOUNTING POLICIES – continued

(c) *Financial Instruments – continued*

Derivative

From 1 April 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives (including embedded derivatives separately accounted for from the host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. For derivatives that are classified as held for trading, changes in fair values of such derivatives are recognised in profit or loss for the period in which they arise. The gain arising from change in fair value of financial assets measured at fair value through profit and loss amounted to HK$453,000 for the six months ended 30 September 2005 but had no effect on the Group's accumulated profits as at 1 April 2004 and 2005 as there is no outstanding derivative before 1 April 2005.

(d) *Owner-occupied Leasehold Interest in Land*

In previous periods, owner-occupied leasehold land and buildings were included in fixed assets and measured using the cost model. In the current period, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight line basis. This change in accounting policy has been applied retrospectively but had no effect on the Group's accumulated profits as at 1 April 2004 and 2005.

2. PRINCIPAL ACCOUNTING POLICIES – continued

(e) *Change of Accounting Estimates – Intangible Assets with Indefinite Useful Lives*

In previous periods, intangible assets were amortised over 20 years which was the maximum period allowable for amortisation under Statement of Standard Accounting Practice No.29 ("SSAP 29"). HKAS 38 "Intangible Assets" requires intangible assets to be assessed at the individual asset level as having either finite or indefinite life. A finite-life intangible asset is amortised over its estimated useful life whereas an intangible asset with an indefinite useful life is carried at cost less accumulated impairment losses (if any). Intangible assets with indefinite lives are not subject to amortisation but are tested for impairment annually or more frequently when there are indications of impairment. In accordance with the transitional provisions in HKAS 38, the Group reassessed the useful lives of its intangible assets on 1 April 2005 and concluded that intangible assets with a total carrying amount of HK$1,345,881,000 recognised under the predecessor accounting standard have indefinite useful lives. The Group has applied the revised useful lives prospectively and discontinued amortising intangible assets with indefinite useful lives from 1 April 2005. No amortisation has been charged in relation to intangible assets with indefinite useful lives for the six months ended 30 September 2005. Comparative figures for the six months ended 30 September 2004 have not been restated. Should the intangible assets were amortised under SSAP 29, amortisation expense of HK$41,065,000 would have been recognised in the six months ended 30 September 2005.

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

The cumulative effects of the new HKFRSs as at 31 March 2005 and 1 April 2005 are summarised below:

	As at 31 March 2005 (Originally stated) HK$'000	Retrospective adjustments HKAS 1 HK$'000 (Note 2)	HKAS 17 HK$'000 (Note 2d)	As at 31 March 2005 (Restated) HK$'000	Adjustment on 1 April 2005 HKFRS 3 HK$'000 (Note 2a)	As at 1 April 2005 (Restated) HK$'000
Balance sheet items						
Intangible assets	1,345,881	–	–	1,345,881	–	1,345,881
Property, plant and equipment	1,775,604	–	(85,732)	1,689,872	–	1,689,872
Prepaid lease payments	–	–	85,732	85,732	–	85,732
Deferred tax assets	1,058	–	–	1,058	–	1,058
Pensions obligations	(19,061)	–	–	(19,061)	–	(19,061)
Deferred tax liabilities	(316,961)	–	–	(316,961)	–	(316,961)
Other assets and liabilities	700,311	–	–	700,311	–	700,311
Total effects on assets and liabilities	3,486,832	–	–	3,486,832	–	3,486,832
Minority interests	(2,060)	2,060	–	–	–	–
	3,484,772	2,060	–	3,486,832	–	3,486,832
Share capital	3,092,774	–	–	3,092,774	–	3,092,774
Accumulated profits	99,440	–	–	99,440	(15,559)	83,881
Share premium	222,197	–	–	222,197	–	222,197
Property revaluation reserve	1,161	–	–	1,161	–	1,161
Translation reserve	84,759	–	–	84,759	–	84,759
Goodwill reserve	(15,559)	–	–	(15,559)	15,559	–
Equity holders of the parent	3,484,772	–	–	3,484,772	–	3,484,772
Minority interests	–	2,060	–	2,060	–	2,060
Total effects on total equity	3,484,772	2,060	–	3,486,832	–	3,486,832

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES – continued

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

HKAS 1	Capital Disclosures
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 & HKFRS 4 (Amendments)	Financial Guarantee Contracts
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 4	Determining whether an Arrangement Contains a Lease
HK(IFRIC) – Int 5	Rights to Interests Arising from Decommissing, Restoration and Environmental Rehabilitation Funds
HK(IFRIC) – Int 6	Liabilities arising from Participating in a Specific Market, Waste Electrical and Electronic Equipment

4. 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	
	2005	2004
	HK$'000	HK$'000
Turnover		
Sales of newspapers	**355,304**	325,909
Sales of books and magazines	**155,448**	155,958
Newspapers advertising income	**730,959**	569,797
Books and magazines advertising income	**322,267**	287,859
Printing and reprographic service income	**109,538**	89,115
Internet content provision and advertising income	**14,558**	11,586
	1,688,074	1,440,224
Other income		
Sales of waste materials	**9,400**	9,575
Gains arising from changes in fair value of derivative financial instruments	**453**	–
Interest income on bank deposits	**8,166**	1,619
Rental income	**810**	923
Others	**2,031**	1,328
	20,860	13,445
Total income	**1,708,934**	1,453,669

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:

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 2005

	Newspapers publication and printing	Books and magazines publication	Books and magazines printing	Internet content provision and advertising	Eliminations	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TURNOVER						
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
RESULTS						
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
Taxation						(47,078)
Profit for the period						224,227

5. SEGMENTAL INFORMATION – continued

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 income						13,445
Finance costs						(2,850)
Profit before taxation						132,578
Taxation						(41,546)
Profit for the period						91,032

5. SEGMENTAL INFORMATION – continued

Secondary reporting format – geographical segments

	Six months ended 30 September 2005		Six months ended 30 September 2004	
	Turnover	**Segment results**	Turnover	Segment results
	HK$'000	HK$'000	HK$'000	HK$'000
Hong Kong	**1,022,614**	**238,841**	978,087	217,958
Taiwan	**608,678**	**(5,110)**	414,010	(115,869)
North America	**37,452**	**14,009**	33,117	12,395
Europe	**13,845**	**6,494**	11,451	5,626
Australasia	**4,961**	**2,420**	3,559	1,873
Others	**524**	**256**	–	–
	1,688,074	**256,910**	1,440,224	121,983
Other income		**20,860**		13,445
Finance costs		**(6,465)**		(2,850)
Profit before taxation		**271,305**		132,578

6. FINANCE COSTS

	Six months ended 30 September	
	2005	2004
	HK$'000	HK$'000
Interest expenses on bank borrowings wholly repayable within five years	**6,465**	2,850

7. PROFIT BEFORE TAXATION

	Six months ended 30 September	
	2005	2004
	HK$'000	HK$'000
		(restated)
Profit before taxation has been arrived at after charging:		
Cost of raw materials consumed in production	**653,421**	534,897
Allowance for bad and doubtful debts	**6,066**	9,092
Operating lease expenses on:		
Properties	**2,975**	3,050
Other assets	**5,622**	5,508
Depreciation of property, plant and equipment	**72,956**	71,151
Amortisation of intangible assets (included in administrative expenses)	**–**	45,770
Amortisation of prepaid lease payments (included in administrative expenses)	**1,020**	1,020
Impairment loss recognised on prepaid lease payments	**9,678**	–
Loss on disposal of property, plant and equipment	**153**	–
and after crediting:		
Gain on disposal of property, plant and equipment	**–**	43

8. TAXATION

	Six months ended 30 September	
	2005	2004
	HK$'000	HK$'000
The charge (credit) comprises:		
Current tax:		
Hong Kong	**47,029**	48,752
Deferred tax:		
Current period	**49**	(7,206)
	47,078	41,546

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

9. DIVIDENDS

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

	Six months ended 30 September	
	2005	2004
	HK$'000	HK$'000
Ordinary shares:		
Interim dividend for 2005/06 – HK5.0 cents per share (2004/05: Nil)	**74,295**	–
Special dividend – HK25.0 cents per share (2004/05: Nil)	**371,476**	–
Preference shares:		
Preference share dividend – HK1.75 cents per share (2004/05: Nil)	**16,100**	–
	461,871	–

The amount of the interim dividend declared for the six months ended 30 September 2005, which will be payable in cash, has been calculated by reference to the 1,485,903,781 issued ordinary shares as at 30 September 2005.

The amount of special dividend declared, which will be payable in cash, has been calculated by reference to the 1,485,903,781 issued ordinary shares as at 30 September 2005.

9. DIVIDENDS – continued

The amount of the preference share dividend proposed for the six months ended 30 September 2005, which will be payable in cash, has been calculated by reference to the 920,000,000 2% convertible non-voting non-cumulative preference shares as at 30 September 2005.

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

10. 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	
	2005	2004
	HK$'000	HK$'000
Earnings:		
Earnings for the purposes of basic and diluted earnings per share	**224,227**	91,032

	No. of shares	No. of shares
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,484,386,500**	1,480,405,853
Share options	**4,767,324**	6,293,333
Convertible preference shares	**920,000,000**	920,000,000
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**2,409,153,824**	2,406,699,186

11. CAPITAL EXPENDITURE

	Intangible assets HK$'000	Property, plant and equipment HK$'000 (restated)
COST OR VALUATION		
At 1 April 2005		
As originally stated	1,820,930	2,304,913
Transfer to prepaid lease payments	–	(90,219)
As restated	1,820,930	2,214,694
Current realignment	–	(51,381)
Additions	–	19,193
Adjustment	–	(13,018)
Disposals	–	(5,540)
At 30 September 2005	1,820,930	2,163,948
ACCUMULATED AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES		
At 1 April 2005		
As originally stated	475,049	529,309
Transfer to prepaid lease payments	–	(4,487)
As restated	475,049	524,822
Currency realignment	–	(8,525)
Charge for the period	–	72,956
Disposals	–	(5,031)
At 30 September 2005	475,049	584,222
NET BOOK VALUES		
At 30 September 2005	1,345,881	1,579,726
At 31 March 2005	1,345,881	1,689,872

Notes:

(a) Intangible assets are stated at cost and represent the masthead and publishing rights of the Group.

(b) Adjustment on property, plant and equipment represents the valued-added tax refundable by the relevant government authority.

12. PREPAID LEASE PAYMENTS

	HK$'000 (restated)
COST	
At 1 April 2005	
As originally stated	–
Transfer from property, plant and equipment (note 2(d))	90,219
As restated and at 30 September 2005	90,219
AMORTISATION AND IMPAIRMENT LOSS	
At 1 April 2005	
As originally stated	–
Transfer from property, plant and equipment (note 2(d))	4,487
As restated	4,487
Charge for the period	1,020
Impairment loss in the income statement	9,678
At 30 September 2005	15,185
NET BOOK VALUES	
At 30 September 2005	75,034
At 31 March 2005	85,732

During the period, the directors reviewed the carrying amount of the prepaid lease payments and identified an impairment loss of approximately HK$9,678,000, which has been charged to the income statement. Prepaid lease payments are amortised on a straight line basis over the lease terms of 50 years.

Analysed as:

	30 September 2005 HK$'000	31 March 2005 HK$'000 (restated)
Non-current assets	**73,237**	83,691
Current assets	**1,797**	2,041
	75,034	85,732

13. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS

	30 September 2005 HK$'000	31 March 2005 HK$'000
Accounts receivable, net	**533,914**	447,493
Prepayments	**47,172**	41,415
Deposits for the acquisition of property, plant and equipment	**9,998**	3,407
Rental and other deposits	**22,518**	15,930
Others	**17,501**	15,109
	631,103	523,354

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 2005 HK$'000	31 March 2005 HK$'000
0 – 1 month	**233,806**	193,642
1 – 3 months	**264,463**	174,708
Over 3 months	**79,169**	120,309
	577,438	488,659
Less: Allowance for bad and doubtful debts	**(43,524)**	(41,166)
	533,914	447,493

14. DERIVATIVE FINANCIAL INSTRUMENTS

	30 September 2005 HK$'000	31 March 2005 HK$'000
Forward foreign exchange contracts	**453**	–

15. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	30 September 2005 HK$'000	31 March 2005 HK$'000
Accounts payable	**130,990**	114,932
Accrued charges	**366,175**	257,781
	497,165	372,713

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

	30 September 2005 HK$'000	31 March 2005 HK$'000
0 – 1 month	**81,153**	80,946
1 – 3 months	**31,409**	23,036
Over 3 months	**18,428**	10,950
	130,990	114,932

16. LONG-TERM LIABILITIES

	30 September 2005 HK$'000	31 March 2005 HK$'000
Secured bank loans (Note)	**438,001**	217,234
Current portion of secured bank loans	**(132,193)**	(53,793)
	305,808	163,441

An analysis of the above is as follows:

	30 September 2005 HK$'000	31 March 2005 HK$'000
Secured bank loans repayable		
– within one year	**132,193**	53,793
– in the second year	**118,128**	54,347
– in the third to fifth years, inclusive	**187,680**	109,094
	438,001	217,234
Less: Current portion	**(132,193)**	(53,793)
Amounts due after one year	**305,808**	163,441

During the period, the Group obtained new bank loans of the amount of approximately HK$280,505,000. The loans bear interest at market rates and are repayable over a period of 4 years.

Note:

At 30 September 2005, the Group's banking facilities were secured by the following:

- Certain of the Group's prepaid lease payments and buildings with an aggregate net book value of approximately HK$848.9 million (At 31 March 2005: HK$876.7 million); and
- Certain of the Group's plant and machinery with an aggregate net book value of approximately HK$376.9 million (At 31 March 2005: HK$411.1 million).

17. 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 2004, 1 April 2005 and 30 September 2005	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 2004	920,000,000	1,610,000	1,478,634,576	1,478,635
Exercise of share options	–	–	4,138,905	4,139
At 31 March 2005 and 1 April 2005	920,000,000	1,610,000	1,482,773,481	1,482,774
Exercise of share options	–	–	3,130,300	3,130
At 30 September 2005	920,000,000	1,610,000	1,485,903,781	1,485,904

	30 September 2005 HK$'000	31 March 2005 HK$'000
Total issued and fully paid share capital		
Ordinary shares of HK$1.00 each	**1,485,904**	1,482,774
Preference shares of HK$1.75 each	**1,610,000**	1,610,000
	3,095,904	3,092,774

17. 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 exercisable during the period of five years from the date of the issue of the Preference shares to convert 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.

18. CONTINGENT LIABILITIES

Pending litigations

As at 30 September 2005, 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, namely Apple Daily Printing Limited, over amounts payable in respect of the construction of the facility, which is currently under arbitration. The final outcome of these proceedings is uncertain.

In connection with the acquisition of Database Gateway Limited ("DGL") and its subsidiaries on 26 October 2001, Mr. Lai Chee Ying, Jimmy ("Mr. Lai"), chairman and a major shareholder of the Company, has undertaken to provide unlimited personal indemnities to the Company and DGL and its subsidiaries (the "Acquired Group") against all payments, claims, suits, damages and settlement payments and any associated costs and expenses arising, made or incurred after 26 October 2001 arising out of or connected with (1) any third party claims made against the Acquired Group on and before 26 October 2001, (2) defamation claims, claims for infringement of intellectual property rights and other proceedings and claims which may in the future arise from the content of the newspaper and magazines published by the Acquired Group on and at any time before 26 October 2001 and (3) the dispute with UDL (the "Indemnity"). In relation to the Indemnity, Mr. Lai also procured a bank guarantee of HK$60,000,000 for a term of three years from 26 October 2001 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.

19. COMMITMENTS

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

	30 September 2005 HK$'000	31 March 2005 HK$'000
Contracted but not provided for	102,443	5,556

(b) Commitments under operating leases

At 30 September 2005, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	30 September 2005			31 March 2005		
	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	3,328	10,027	13,355	3,323	7,707	11,030
Later than one year but not later than five years	762	8,094	8,856	893	4,581	5,474
	4,090	18,121	22,211	4,216	12,288	16,504

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

20. BANK BALANCES AND CASH

As at 30 September 2005, included in bank balances and cash was an amount of approximately HK$5,411,000 (31 March 2005: HK$5,411,000) which 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.

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 58.

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's 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 2005.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 5 December 2005