notes to the financial statements

for the year ended 31 march 2006

1. General

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report.

The financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 38.

2. Application of Hong Kong Financial Reporting Standards

In the current year, the Group and the Company 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 Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and 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 and the Company's accounting policies in the following areas that have an effect on how the results for the current and/or prior accounting years are prepared and presented:

(a) Business Combinations

In the current year, the Group has applied HKFRS 3 *Business Combinations* ("HKFRS 3") which is effective for business combinations for which the agreement date is on or after 1 January 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous years, goodwill arising on acquisitions 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 of HK$15,559,000 has been transferred to the Group's accumulated profits on 1 April 2005. Comparative figures for 2004 have not been restated (see Note 3 for the financial impact).

(b) Share-based Payments

In the current year, the Group has applied HKFRS 2 *Share-based Payment* ("HKFRS 2") 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 share options granted to directors and employees 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 chooses not to apply HKFRS 2 with respect to share options granted on or before 7 November 2002 and vested before 1 April 2005. No share options were granted after 7 November 2002 and had not yet vested on 1 April 2005. Comparative figures have not been restated (see Note 3 for the financial impact for the share option granted after 1 April 2005).

2. Application of Hong Kong Financial Reporting Standards *(continued)*

(c) Financial Instruments

In the current year, the Group has applied HKAS 32 *Financial Instruments: Disclosure and Presentation* ("HKAS 32") and HKAS 39 *Financial Instruments: Recognition and Measurement* ("HKAS 39"). HKAS 32 requires retrospective application. The adoption of HKAS 32 has had no effect on the Group's results for current and prior years. HKAS 39, which is effective for annual periods beginning on or after 1 April 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to the classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

Financial assets and financial liabilities other than debt and equity securities

From 1 April 2005 onwards, the Group has classified and measured 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. As mentioned above, 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 "other financial liabilities". Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in income statement directly. Other financial liabilities are carried at amortised cost using the effective interest method after initial recognition. This change in accounting policy has had no effect on the Group's results for current and prior years.

Interest-free non-current loans

Prior to the application of HKAS 39, interest-free non-current balances due (to) from the subsidiaries were stated at the face value. HKAS 39 requires all financial assets and financial liabilities to be measured at fair value on initial recognition. Such interest-free loans are measured at amortised cost determined using the effective interest method at subsequent balance sheet dates. The Company has applied the relevant transitional provisions in HKAS 39. This change in accounting policy has had no effect on the Company's results for current and prior years.

2. Application of Hong Kong Financial Reporting Standards *(continued)*

(c) Financial Instruments *(continued)*

Derivatives

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 non-derivative host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. The corresponding adjustments on changes in fair values would depend on whether the derivatives are designated as effective hedging instruments, and if so, the nature of the item being hedged. For derivatives that are deemed as held for trading, changes in fair values of such derivatives are recognised in income statement for the period in which they arise.

Since there is no derivative as at 31 March 2005, the adoption of HKAS 39 has had no effect on the Group's accumulated profits as at 1 April 2005. The derivatives of the Group do not meet the requirements of hedge accounting in accordance with HKAS 39 and the Group has, from 1 April 2005 onwards, deemed such derivatives as held for trading (see Note 3 for the financial impact).

(d) Owner-occupied Leasehold Interest in Land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the revaluation model. In the current year, the Group has applied HKAS *17 Leases* ("HKAS 17"). 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 (see Note 3 for the financial impact).

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

In previous year, intangible assets were amortised over 20 years which was the maximum period allowable for amortisation under Statement of Standard Accounting Practice 29. HKAS 38 *Intangible Assets* ("HKAS 38") 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 all 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 year ended 31 March 2006. Comparative figures for the year ended 31 March 2005 have not been restated (see Note 3 for the financial impact).

3. Summary of the Effects of the Changes in Accounting Policies

The effects of the changes in the accounting policies described in Note 2 on the results for the current and prior years are as follows:

The following is an analysis of increase in profit for the year ended 31 March 2006 by line items presented according to their function:

(i) On results

	HKFRS 3 HK$'000 *(Note 2 (a))*	HKFRS 2 HK$'000 *(Note 2 (b))*	HKAS 39 HK$'000 *(Note 2 (c))*	HKAS 38 HK$'000 *(Note 2 (e))*	Total effect HK$'000
For the year ended 31 March 2006					
Non-amortisation of intangible assets	–	–	–	**82,130**	**82,130**
Impairment of intangible assets	–	–	–	**(45,000)**	**(45,000)**
Expenses in relation to share options granted to employees	–	**(1,540)**	–	–	**(1,540)**
Gain arising from changes in fair value of derivative financial instruments	–	–	**170**	–	**170**
Increase in profit for the year	–	**(1,540)**	**170**	**37,130**	**35,760**
Attributable to:					
Equity holders of the parent	–	**(1,540)**	**170**	**37,130**	**35,760**
Minority interests	–	–	–	–	–
	–	**(1,540)**	**170**	**37,130**	**35,760**

(ii) On income statement line items

	HKFRS 3 HK$'000 *(Note 2 (a))*	HKFRS 2 HK$'000 *(Note 2 (b))*	HKAS 39 HK$'000 *(Note 2 (c))*	HKAS 38 HK$'000 *(Note 2 (e))*	Total effect HK$'000
For the year ended 31 March 2006					
Increase in other administrative expenses	–	**(1,540)**	**170**	–	**(1,370)**
Decrease in amortisation of intangible assets	–	–	–	**82,130**	**82,130**
Increase in impairment of intangible assets	–	–	–	**(45,000)**	**(45,000)**
Increase in profit for the year	–	**(1,540)**	**170**	**37,130**	**35,760**

The changes in the accounting policies had no effect on the results for the year ended 31 March 2005.

3. Summary of the Effects of the Changes in Accounting Policies *(continued)*

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

The Group

	As at 31 March 2005 (Originally stated) HK$'000	Retrospective adjustments HKAS 1 HK$'000 *(Note 2)*	HKAS 17 HK$'000 *(Note 2 (d))*	As at 31 March 2005 (Restated) HK$'000	Prospective adjustment HKFRS 3 HK$'000 *(Note 2 (a))*	As at 1 April 2005 (Restated) HK$'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
Pension 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
Share capital	3,092,774	–	–	3,092,774	–	3,092,774
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	–
Accumulated profits	99,440	–	–	99,440	(15,559)	83,881
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
Minority interests	(2,060)	2,060	–	–	–	–

The changes in the accounting policies had no effect on the Group's equity as at 1 April 2004.

3. Summary of the Effects of the Changes in Accounting Policies *(continued)*

The Group and the Company have not early applied the following new standards and interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these new standards or interpretations will have no material impact on the financial statements of the Group except for the potential impact of HKAS 39 and HKFRS 4 (Amendments) on the Company cannot be reasonably estimated.

HKAS 1 (Amendment)	Capital disclosure [1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures [2]
HKAS 21 (Amendment)	Net investment in a foreign operation [2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions [2]
HKAS 39 (Amendment)	The fair value option [2]
HKAS 39 and HKFRS 4 (Amendments)	Financial guarantee contracts [2]
HKFRS 6	Exploration for and evaluation of mineral resources [2]
HKFRS 7	Financial instruments: Disclosures [1]
HK (IFRIC) – INT 4	Determining whether an arrangement contains a lease [2]
HK (IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds [2]
HK (IFRIC) – INT 6	Liabilities arising from participating in a specific Market – Waste electrical and electronic equipment [3]
HK (IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies [4]
HK (IFRIC) – INT 8	Scope of HKFRS 2 [5]
HK (IFRIC) – INT 9	Reassessment of embedded derivatives [6]

1 Effective for annual periods beginning on or after 1 January 2007.
2 Effective for annual periods beginning on or after 1 January 2006.
3 Effective for annual periods beginning on or after 1 December 2005.
4 Effective for annual periods beginning on or after 1 March 2006.
5 Effective for annual periods beginning on or after 1 May 2006.
6 Effective for annual periods beginning on or after 1 June 2006.

4. Significant Accounting Policies

The financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as explained in the accounting policies set out below.

The financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Revenue recognition

Revenue is measured at the fair value of the consideration received and receivables.

(i) Sales of magazines and newspapers are recognised on the date of publication, net of allowances of certain percentage of unsold copies.

(ii) Sales of books and other publications are recognised on the date of delivery to customers.

(iii) Books, magazines and newspapers advertising income is recognised upon the publication of the edition in which the advertisement is placed.

(iv) Revenue from the provision of printing, reprographic and internet content services is recognised upon the provision of the services.

(v) Internet advertising income is recognised on a straight-line basis over the period during which the advertisement is displayed.

(vi) Sales of waste materials are recognised on the date of delivery of the waste materials.

(vii) Interest income is recognised on a time appointment basis, taking into account the principal amount outstanding and the effective interest rates applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(viii) Rental income is recognised on a straight line basis over the term of the lease.

4. Significant Accounting Policies *(continued)*

Masthead and publishing rights

On initial recognition, intangible assets acquired separately and from business combinations are recognised at cost and at fair value respectively. After initial recognition, masthead and publishing rights of the Group's newspaper and magazines with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses below). In this regard, the Directors believe that the Group's masthead and publishing rights have indefinite useful lives.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Intangible assets with indefinite useful lives are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Property, plant and equipment

Property, plant and equipment are stated at cost or fair value less subsequent accumulated depreciation and accumulated impairment losses.

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on revaluation of land and buildings is credited to the property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the property revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Depreciation is provided to write off the cost or fair value of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

4. Significant Accounting Policies *(continued)*

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that the Group will be required to settle the obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Rentals payable under operating leases are charged to income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Prepaid lease payments

Payments for obtaining land use rights are accounted for as prepaid lease payments and are charged to the income statement on a straight-line basis over the lease terms.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in income statement in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in income statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in income statement in the period in which the foreign operation is disposed of.

4. Significant Accounting Policies *(continued)*

Government grants

Government grants related to depreciable assets are presented as a deduction from the carrying amount of the relevant asset.

Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

(ii) Profit sharing and bonus plans

The expected cost of profit sharing and bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for profit sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(iii) Pension obligations

The Group operates three defined contribution retirement schemes and a mandatory provident fund scheme for its eligible employees in Hong Kong, and two defined benefits plans for its eligible employees in Taiwan, the assets of which are held in separate trustee-administered funds.

The Group's contributions to the defined contribution retirement schemes and the mandatory provident fund scheme are expensed as incurred and, in respect of the non-mandatory provident fund schemes, such contributions are reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the Group's contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses which exceed 10 percent of the greater of the present value of the Group's pension obligations and the fair value of plan assets are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

The amount recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

4. Significant Accounting Policies *(continued)*

Employee benefits *(continued)*

(iv) Share options granted to employees of the Company

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated profits.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a Group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in income statement.

4. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial assets

The Group's financial assets are classified into two categories, including financial assets at fair value through profit or loss and loans and receivables. The accounting policies adopted in respect of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial asset designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial assets of fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in income statement in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including accounts receivable, amounts due from subsidiaries and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities including bank borrowings, accounts payable, accrued charges, dividend payable and amounts due to subsidiaries are subsequently measured at amortised cost, using the effective interest rate method.

Equity instrument

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issued costs.

Derivatives that do not qualify for hedge accounting

Derivatives that do not qualify for hedge accounting are deemed as financial assets held for trading or financial liabilities held for trading. Changes in fair values of such derivatives are recognised directly in income statement.

4. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in income statement.

For financial liabilities, they are removed from the Group's balance sheet (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expires). The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Impairment losses (other than intangible assets with indefinite useful lives)

At each balance sheet date, the Group and the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

5. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the process of applying the Group's accounting policies which are described in Note 4, management has made the following judgment that has significant effect on the amounts recognised in the financial statements. The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also discussed below.

Allowance for bad and doubtful debts

The policy for allowance of bad and doubtful debts is based on the evaluation of collectability and aged analysis of accounts. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables. If the financial conditions of customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required. Allowance for bad and doubtful debts of approximately HK$5,011,000 was made for the year ended 31 March 2006 (2005: HK$14,252,000).

5. Critical Accounting Judgements and Key Sources of Estimation Uncertainty *(continued)*

Allowance for inventories

The management reviews an aged analysis at each balance sheet date, and make allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. The management estimates the net realisable value for such raw materials and finished goods based primarily on the latest invoice prices and current market conditions. Inventories are reviewed on a product-by-product basis at each balance sheet date and make allowance for obsolete items. Allowance for inventories of approximately HK$170,000 was made for the year ended 31 March 2006 (2005: HK$1,230,000).

Impairment of intangible assets

The Directors reviewed the business valuation, the anticipated profitability and the anticipated future operating cash flows of the masthead and publishing rights. With reference to the financial results and anticipated future operating cash flows, the Directors of the Company identified an impairment loss in respect of masthead and publishing rights of approximately HK$45,000,000 (2005: HK$136,918,000), such an amount was dealt with in the income statement for the year ended 31 March 2006. Details are disclosed in Note 19.

Income taxes

As at 31 March 2006, the Group had estimated unused tax losses of approximately HK$1,141,466,000 available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$74,864,000 of such losses. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in the income statement for the period in which such a reversal takes place.

6. Financial Risk Management Objectives and Policies

The Group's and the Company's major financial instruments include bank borrowings, accounts receivable, accounts payable, bank balances and amounts due from/to subsidiaries. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

Several subsidiaries of the Company have foreign currency sales and accounts receivable and bank borrowings are denominated in foreign currencies which exposes the Group to foreign currency risk. The Group currently enters into forward contract to manage its foreign currency exposure. The management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Credit risk

The Group's and the Company's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 March 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's and the Company's credit risk is significantly reduced.

The credit risk on bank balances is limited because the counterparties are banks with high credit ratings.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

6. Financial Risk Management Objectives and Policies *(continued)*

Cash flow interest rate risk

The Group's cash flow interest rate risk relates primarily to variable-rate bank borrowings (see Note 28 for details of these borrowings). The Group currently does not have a foreign currency hedging policy. However, the management monitors interest rate change exposure and will consider hedging significant interest rate change exposure should the need arises.

7. Revenue and Other Income

The Group is engaged in the publication of newspapers, books and magazines, the sales of advertising space in newspapers, books and magazines, the provision of printing and reprographic services, the provision of internet subscription, content and the sales of advertising space on website. Revenue, which represents turnover of the Group recognised during the year, is as follows:

	2006 HK$'000	2005 HK$'000
Revenue		
Sales of newspapers	**736,232**	659,598
Sales of books and magazines	**299,698**	308,025
Newspapers advertising income	**1,438,702**	1,197,119
Books and magazines advertising income	**602,424**	577,222
Printing and reprographic services income	**215,775**	166,225
Internet subscription, content provision and advertising income	**29,193**	23,983
	3,322,024	2,932,172
Other income		
Sales of waste materials	**18,850**	18,250
Interest income on bank deposits	**20,527**	4,672
Rental income	**1,628**	1,741
Revaluation surplus of property, plant and equipment	**7,009**	–
Others	**3,016**	3,998
	51,030	28,661

8. 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, North America, Europe and Australasia
Internet subscription, content provision and advertising	Hong Kong

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

8. Segmental Information *(continued)*

Analysis of business segment results for the year ended 31 March 2006

	Newspapers publication and printing HK$'000	Books and magazines publication HK$'000	Books and magazines printing HK$'000	Internet subscription, content provision and advertising HK$'000	Eliminations HK$'000	Consolidated HK$'000
INCOME STATEMENT						
REVENUE						
External sales	2,274,986	902,122	115,723	29,193	–	3,322,024
Inter-segment sales	–	–	190,601	–	(190,601)	–
	2,274,986	902,122	306,324	29,193	(190,601)	3,322,024
Segment results	299,545	115,049	47,847	13,295	–	475,736
Other income						51,030
Finance costs						(11,484)
Profit before taxation						515,282
Taxation						(74,516)
Profit for the year						440,766
BALANCE SHEET						
Segment assets	2,979,830	556,917	262,806	5,218	–	3,804,771
Unallocated assets						680,016
Total assets						4,484,787
Segment liabilities	(275,824)	(137,921)	(77,827)	(8,602)	–	(500,174)
Unallocated liabilities						(585,016)
Total liabilities						(1,085,190)
OTHER INFORMATION						
Capital expenditure	(68,599)	(13,209)	(1,332)	(1,106)	–	(84,246)
Depreciation of property, plant and equipment	(113,190)	(13,672)	(16,129)	(976)	–	(143,967)
Release of prepaid lease payments to income statement	(1,108)	–	(811)	–	–	(1,919)
Impairment of intangible assets	–	(45,000)	–	–	–	(45,000)
Revaluation surplus of property, plant and equipment	7,009	–	–	–	–	7,009
Impairment of prepaid lease payments	(9,678)	–	–	–	–	(9,678)
Allowance for bad and doubtful debts	(3,272)	14	(1,494)	(259)	–	(5,011)
Share-based payment expense	–	–	(1,540)	–	–	(1,540)
Loss on disposal of property, plant and equipment	(193)	(37)	(74)	(3)	–	(307)

8. Segmental Information *(continued)*

Analysis of business segment results for the year ended 31 March 2005

	Newspapers publication and printing HK$'000	Books and magazines publication HK$'000	Books and magazines printing HK$'000	Internet subscription, content provision and advertising HK$'000	Eliminations HK$'000	Consolidated HK$'000
INCOME STATEMENT						
REVENUE						
External sales	1,916,855	885,247	106,087	23,983	–	2,932,172
Inter-segment sales	–	71	173,571	–	(173,642)	–
	1,916,855	885,318	279,658	23,983	(173,642)	2,932,172
Segment results	107,320	(24,056)	45,223	11,249	–	139,736
Other income						28,661
Share of results of associates						830
Finance costs						(6,083)
Profit before taxation						163,144
Taxation						(58,887)
Profit for the year						104,257
BALANCE SHEET						
Segment assets	2,935,145	612,699	275,996	4,709	–	3,828,549
Unallocated assets						599,830
Total assets						4,428,379
Segment liabilities	(204,511)	(131,244)	(45,043)	(8,358)	–	(389,156)
Unallocated liabilities						(552,391)
Total liabilities						(941,547)
OTHER INFORMATION						
Capital expenditure	(15,993)	(13,302)	(1,586)	(1,713)	–	(32,594)
Depreciation of property, plant and equipment	(109,161)	(13,101)	(17,741)	(422)	–	(140,425)
Release of prepaid lease payments to income statement	(1,223)	–	(817)	–	–	(2,040)
Amortisation of intangible assets	(61,991)	(29,548)	–	–	–	(91,539)
Impairment of intangible assets	–	(136,918)	–	–	–	(136,918)
Revaluation deficit of property, plant and equipment	(3,224)	–	–	–	–	(3,224)
Allowance for bad and doubtful debts	(9,664)	(2,453)	(1,907)	(228)	–	(14,252)
(Loss) gain on disposal of property, plant and equipment	(1,278)	207	35	–	–	(1,036)

8. Segmental Information *(continued)*

Secondary reporting format – geographical segments

The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the goods/services:

	2006 HK$'000	2005 HK$'000
Hong Kong	**1,977,477**	1,969,225
Taiwan	**1,250,805**	881,483
North America	**59,012**	48,948
Europe	**23,550**	21,549
Australasia	**10,140**	6,921
Others	**1,040**	4,046
	3,322,024	2,932,172

The following is an analysis of the carrying amount of segment assets and liabilities to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:

	2006		2005	
	Total assets HK$'000	Capital expenditure HK$'000	Total assets HK$'000	Capital expenditure HK$'000
Hong Kong	**2,600,420**	**69,010**	2,641,188	21,940
Taiwan	**1,199,776**	**15,226**	1,183,823	10,626
North America	**4,575**	**10**	3,538	28
	3,804,771	**84,246**	3,828,549	32,594
Unallocated assets	**680,016**		599,830	
Total assets	**4,484,787**		4,428,379	

9. Other Expenses

	2006 HK$'000	2005 HK$'000
Impairment of prepaid lease payments	**9,678**	–
Revaluation deficit of property, plant and equipment	**–**	3,224
Loss on disposal of property, plant and equipment	**307**	1,036
	9,985	4,260

10. Finance Costs

	2006 HK$'000	2005 HK$'000
Interest expenses on bank borrowings wholly repayable within five years	**11,484**	6,083

11. Taxation

	2006 HK$'000	2005 HK$'000
The charge comprises:		
Current tax:		
Hong Kong	**81,933**	96,953
Other jurisdictions	**318**	–
Overprovision in prior years	**(2,983)**	(895)
	79,268	96,058
Deferred tax *(Note 33)*:		
Current year	**(4,752)**	(37,171)
	74,516	58,887

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

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

11. Taxation *(continued)*

The tax charge for the year can be reconciled to the profit before taxation as follows:

	2006 HK$'000	2005 HK$'000
Profit before taxation	**515,282**	163,144
Tax at Hong Kong Profits Tax rate of 17.5%	**90,174**	28,550
Tax effect of expenses not deductible for tax purpose	**6,598**	9,974
Tax effect of income not taxable for tax purpose	**(3,551)**	(4,414)
Overprovision in prior years	**(2,983)**	(895)
Tax effect of tax losses not recognised	**3,227**	27,275
Tax effect of deferred tax assets not recognised	**742**	18,228
Utilisation of tax losses previously not recognised	**(18,663)**	(14,703)
Utilisation of deferred tax assets previously not recognised	**(80)**	(1,196)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(948)**	(3,932)
Taxation charge for the year	**74,516**	58,887

12. Profit for the Year

	2006 HK$'000	2005 HK$'000
Profit for the year has been arrived at after charging:		
Allowance for bad and doubtful debts	**5,011**	14,252
Allowance for inventories	**170**	1,230
Auditors' remuneration	**1,700**	1,620
Costs of raw materials consumed in production	**1,268,712**	1,063,757
Operating lease expenses on:		
Properties	**6,139**	6,201
Plant and equipment	**12,000**	12,046
Legal and professional fees	**12,627**	66,307
Staff costs *(Note 16)*	**991,729**	911,077
and after crediting:		
Increase in fair value of derivative financial instruments	**170**	–
Net foreign exchange gain	**24,390**	2,923

13. Directors' Emoluments

The emoluments paid or payable to each of the 7 (2005: 8) Directors were as follows:

2006

	Lai Chee Ying, Jimmy HK$'000	Ting Ka Yu, Stephen HK$'000	Ip Yut Kin HK$'000	Tung Chuen Cheuk HK$'000	Yeh V-Nee HK$'000	Fok Kwong Hang,Terry HK$'000	Kao Kuen, Charles HK$'000	Total HK$'000
Fees	**200**	**200**	**200**	**200**	**200**	**200**	**200**	**1,400**
Other emoluments								
Salaries and other benefits	**2,379**	**2,371**	**3,005**	**3,383**	**–**	**–**	**–**	**11,138**
Pension costs – defined contribution plans	**–**	**92**	**92**	**98**	**–**	**–**	**–**	**282**
Total emoluments	**2,579**	**2,663**	**3,297**	**3,681**	**200**	**200**	**200**	**12,820**

2005

	Lai Chee Ying, Jimmy HK$'000	Ting Ka Yu, Stephen HK$'000	Ip Yut Kin HK$'000	Tung Chuen Cheuk HK$'000	Kok Hon Kay, Peter HK$'000	Yeh V-Nee HK$'000	Fok Kwong Hang,Terry HK$'000	Kao Kuen, Charles HK$'000	Total HK$'000
Fees	200	200	200	200	–	200	200	200	1,400
Other emoluments									
Salaries and other benefits	2,202	2,632	2,292	3,302	303	–	–	–	10,731
Pension costs – defined contribution plans	10	98	98	104	11	–	–	–	321
Total emoluments	2,412	2,930	2,590	3,606	314	200	200	200	12,452

The emoluments disclosed above include expenses of HK$2,253,000 (2005: HK$2,145,000) paid by the Group under two operating leases in respect of residential accommodation provided to an Executive Director.

During the years ended 31 March 2006 and 2005, no Director waived or agreed to waive any emoluments.

14. Employees' emoluments

Of the five individuals with the highest emoluments in the Group, four (2005: four) were Directors of the Company whose emoluments are included in the disclosure in Note 13 above. The emoluments of the remaining one (2005: one) individual were as follows:

	2006 HK$'000	2005 HK$'000
Salaries and other benefits	**3,498**	3,430
Pension costs – defined contribution plan	**144**	138
	3,642	3,568

15. Dividends

	2006 HK$'000	2005 HK$'000
Ordinary shares:		
Interim dividend, paid – HK5 cents (2005: Nil) per share	**74,528**	–
Special dividend, paid – HK25 cents (2005: Nil) per share	**372,639**	–
	447,167	–
Preference shares:		
Preference share dividend, declared – HK3.5 cents (2005: Nil) per share	**32,200**	–
	479,367	–

The final dividend of HK18 cents (2005: Nil) per ordinary share has been proposed by the Directors and is subject to approval by the shareholders in annual general meeting. The dividends declared and proposed after the balance sheet date have not been recognised as a liability at the balance sheet date.

16. Staff Costs

	2006 HK$'000	2005 HK$'000
Wages, salaries and other benefits	**953,128**	879,973
Pension costs – defined contribution plans, net of forfeited contributions *(Note 29(a))*	**35,336**	21,393
Pension costs – defined benefits plans *(Note 29(b))*	**3,265**	9,711
	991,729	911,077

The staff costs for the year ended 31 March 2006 included Directors' emoluments of HK$12,820,000 (2005: HK$12,452,000) as set out in Note 13.

17. Earnings Per Share

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

	2006 HK$'000	2005 HK$'000
Profit for the year:		
Earnings for the purposes of basic earnings per share	**408,566**	104,257
Adjustment to dividend on preference shares	**32,200**	–
Earnings for the purposes of diluted earnings per share	**440,766**	104,257

	No. of shares	
	2006	2005
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,486,485,622**	1,480,810,328
Share options	**1,972,714**	5,570,493
Convertible preference shares	**920,000,000**	920,000,000
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**2,408,458,336**	2,406,380,821

The following table summarises the impact on basic and diluted earnings per share as a result of:

	Impact on basic earnings per share		Impact on diluted earnings per share	
	2006 HK cents	2005 HK cents	2006 HK cents	2005 HK cents
Reported figures before adjustments	**26**	7	**16**	4
Adjustments arising from changes in accounting policies *(see Note 3)*	**2**	–	**2**	–
Restated	**28**	7	**18**	4

18. Intangible Assets

	Masthead and publishing rights HK$'000
THE GROUP	
COST	
At 1 April 2004 and 31 March 2005	1,820,930
Effect of changes in accounting policies	(338,131)
At 31 March 2006	1,482,799
ACCUMULATED AMORTISATION AND IMPAIRMENT	
At 1 April 2004	246,592
Charge for the year	91,539
Impairment loss recognised for the year	136,918
At 31 March 2005	475,049
Effect of changes in accounting policies	(338,131)
Impairment loss recognised for the year	45,000
At 31 March 2006	181,918
CARRYING VALUES	
At 31 March 2006	1,300,881
At 31 March 2005	1,345,881

The masthead and publishing rights are considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. It will be tested for impairment annually and whenever there is an indication that it may be impaired. Particulars of the impairment testing are disclosed in Note 19.

The Directors reviewed the business valuation, the anticipated profitability and the anticipated future operating cash flows of the masthead and publishing rights. With reference to the financial results and anticipated future operating cash flows, due to recurring loss and anticipated negative operating cash flows for certain masthead and publishing rights, the Directors of the Company identified an impairment loss in respect of masthead and publishing rights of approximately HK$45,000,000 (2005: HK$136,918,000) for the year.

19. Impairment Testing on Intangible Assets with Indefinite-useful Lives

As explained in Note 8, the Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, masthead and publishing rights with indefinite useful lives set out in Note 18 have been allocated to two individual cash generating units (CGUs), including one subsidiary in newspapers publication and printing segment and two subsidiaries in books and magazines publication segment. The carrying amounts of masthead and publishing rights (net of accumulated impairment losses) allocated to these units are as follows:

	Masthead and publishing rights	
	2006 HK$'000	2005 HK$'000
Newspaper publication and printing – Apple Daily I.P. Limited	**1,020,299**	1,020,299
Books and magazines publication – Easy Finder I.P. Limited (formerly known as Easy Media Limited)	**–**	45,000
Books and magazines publication – Next Media I.P. Limited	**280,582**	280,582
	1,300,881	1,345,881

The recoverable amounts of masthead and publishing rights have been determined on the basis of value in use calculations. Their recoverable amounts are based on certain similar key assumptions. Value in use calculations use cash flow projections based on financial budgets approved by management covering a 5-year period with an annual growth rate of 5%, and a discount rate of 10.25%. Cash flow projections during the budget period for CGUs are also based on the expected gross margins during the budget period and the same raw materials price inflation during the budget period. Budgeted gross margins and raw material price inflation have been determined based on past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of CGUs to exceed the aggregate recoverable amount of above CGUs.

20. Property, Plant and Equipment

	Land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
THE GROUP						
COST OR VALUATION						
At 1 April 2004						
– As original stated	884,326	45,085	1,122,040	188,926	6,061	2,246,438
– Effect of changes in accounting policies	(87,772)	–	–	–	–	(87,772)
– As restated	796,554	45,085	1,122,040	188,926	6,061	2,158,666
Exchange difference	16,854	877	19,847	6,398	32	44,008
Additions	170	2,366	1,176	27,770	1,112	32,594
Disposals	–	(8)	(3,263)	(7,096)	(781)	(11,148)
Revaluation	(6,979)	–	–	–	–	(6,979)
At 31 March 2005	806,599	48,320	1,139,800	215,998	6,424	2,217,141
Exchange difference	(11,719)	(663)	(13,928)	(4,190)	(28)	(30,528)
Additions	–	2,812	53,956	26,493	985	84,246
Adjustment *(Note)*	(3,647)	(309)	(7,067)	(1,974)	(21)	(13,018)
Disposals	–	(235)	(186)	(9,463)	(845)	(10,729)
Revaluation	3,305	–	–	–	–	3,305
At 31 March 2006	794,538	49,925	1,172,575	226,864	6,515	2,250,417

20. Property, Plant and Equipment *(continued)*

	Land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
ACCUMULATED DEPRECIATION						
At 1 April 2004	–	12,767	287,308	86,403	3,340	389,818
Exchange difference	403	112	3,776	5,391	23	9,705
Charge for the year (restated)	14,082	2,429	79,063	43,674	1,177	140,425
Disposals	–	(8)	(1,917)	(6,427)	(572)	(8,924)
Revaluation	(3,755)	–	–	–	–	(3,755)
At 31 March 2005	10,730	15,300	368,230	129,041	3,968	527,269
Exchange difference	(37)	(54)	(1,831)	(2,460)	(12)	(4,394)
Charge for the year	14,413	2,183	79,685	46,754	932	143,967
Disposals	–	(100)	(122)	(8,663)	(832)	(9,717)
Revaluation	(3,704)	–	–	–	–	(3,704)
At 31 March 2006	21,402	17,329	445,962	164,672	4,056	653,421
CARRYING VALUES						
At 31 March 2006	773,136	32,596	726,613	62,192	2,459	1,596,996
At 31 March 2005 (restated)	795,869	33,020	771,570	86,957	2,456	1,689,872

The analysis of the cost or valuation at 31 March 2006 of the above assets is as follows:

	Land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At cost	–	49,925	1,172,575	226,864	6,515	1,455,879
At 31 March 2006 valuation	271,452	–	–	–	–	271,452
At 31 March 2004 valuation	523,086	–	–	–	–	523,086
	794,538	49,925	1,172,575	226,864	6,515	2,250,417

Note: Adjustment on property, plant and equipment represents the refund of valued-added tax by the relevant government authority.

20. Property, Plant and Equipment *(continued)*

The analysis of the cost or valuation at 31 March 2005 of the above assets is as follows:

	Land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At cost	–	48,320	1,139,800	215,998	6,424	1,410,542
At 31 March 2005 valuation (restated)	280,529	–	–	–	–	280,529
At 31 March 2004 valuation (restated)	526,070	–	–	–	–	526,070
	806,599	48,320	1,139,800	215,998	6,424	2,217,141

	Buildings HK$'000	Leasehold improvements HK$'000	Total HK$'000
THE COMPANY			
COST OR VALUATION			
At 1 April 2004			
– As originally stated	179,891	12,216	192,107
– Effect of changes in accounting policies	(34,859)	–	(34,859)
– As restated	145,032	12,216	157,248
Additions	–	35	35
At 31 March 2005 and 31 March 2006	145,032	12,251	157,283
ACCUMULATED DEPRECIATION			
At 1 April 2004	–	1,582	1,582
Charge for the year (restated)	3,367	245	3,612
At 31 March 2005	3,367	1,827	5,194
Charge for the year	3,360	246	3,606
At 31 March 2006	6,727	2,073	8,800
CARRYING VALUES			
At 31 March 2006	138,305	10,178	148,483
At 31 March 2005 (restated)	141,665	10,424	152,089

20. Property, Plant and Equipment *(continued)*

The analysis of the cost or valuation at 31 March 2005 and 31 March 2006 of the above assets is as follows:

	Buildings HK$'000	Leasehold improvements HK$'000	Total HK$'000
At cost	–	12,251	12,251
At 31 March 2004 valuation	145,032	–	145,032
	145,032	12,251	157,283

As at 31 March 2006, the Group's and the Company's land and buildings were valued as follows:

	2006		2005	
	THE GROUP HK$'000	THE COMPANY HK$'000	THE GROUP HK$'000 (restated)	THE COMPANY HK$'000 (restated)
Buildings situated in Hong Kong valued on a depreciated replacement cost basis *(Note a)*, less depreciation	**408,564**	**138,305**	418,457	141,665
Freehold land and buildings situated outside Hong Kong valued on an open market basis *(Note b)*	**364,572**	**–**	377,412	–
	773,136	**138,305**	795,869	141,665

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	2% – 4%
Leasehold improvements	Over the lease term or the estimated useful lives, whichever is shorter
Plant and machinery	6.67% – 10%
Furniture, fixtures and equipment	20% – 33.33%
Motor vehicles	20%

Notes:

(a) Pursuant to the lease agreements dated 25 May 1999 and 22 December 1999 with Hong Kong Science and Technology Parks Corporation ("HKSTP") (formerly known as "The Hong Kong Industrial Estates Corporation"), the buildings situated in Hong Kong are solely used for the publishing and printing of magazines, directories and books. The Group's interests in the properties are transferable subject to the right of first refusal to purchase by HKSTP. Accordingly, the properties were valued on a depreciated replacement cost basis which is the estimated replacement costs of the buildings. The latest valuation performed on these properties was carried out by Chesterton Petty Limited, an independent valuer, at 31 March 2006.

(b) As at 31 March 2006, freehold land and buildings situated outside Hong Kong included land and buildings with an aggregate carrying value of HK$363,360,000 (2005: HK$376,187,000) situated in Taiwan which were valued on market value basis and the latest valuation performed on these properties was carried out by Colliers International (HK) Limited, an independent valuer, at 31 March 2006. A revaluation surplus of approximately HK$7,009,000 (2005: a revaluation deficit of HK$3,224,000) is recognised in the consolidated income statement for the current year.

(c) The aggregate carrying value of freehold land and buildings held by the Group and the Company would have been HK$765,171,000 (2005: HK$791,266,000) and HK$137,541,000 (2005: HK$140,901,000) respectively had they been stated at cost less accumulated depreciation and accumulated impairment losses.

(d) At 31 March 2006, certain of the Group's buildings with a total net book value of HK$362,932,000 (2005: HK$791,013,000) and certain plant and machinery with an aggregate carrying value of HK$306,310,000 (2005: HK$411,118,000) were pledged as securities for the Group's banking facilities (Note 28).

21. Prepaid Lease Payments

	THE GROUP 2006 HK$'000	2005 HK$'000	THE COMPANY 2006 HK$'000	2005 HK$'000
The prepaid lease payments comprise of long-term leasehold land in Hong Kong	**74,135**	85,732	**33,231**	34,042
Analysed of reporting purposes as:				
Current asset	**1,797**	2,041	**806**	817
Non-current asset	**72,338**	83,691	**32,425**	33,225
	74,135	85,732	**33,231**	34,042

During the year, valuation performed on the prepaid lease payments was carried out by Chesterton Petty Limited on market value basis and identified an impairment loss of approximately HK$9,678,000 (2005: Nil), which has been charged to the income statement.

At 31 March 2005, certain of the Group's prepaid lease payments with carrying amount of approximately HK$85,732,000 were pledged as securities for the Group's banking facilities.

22. Interests in Subsidiaries/Amounts due from (to) Subsidiaries

	THE COMPANY 2006 HK$'000	2005 HK$'000
Unlisted shares, at cost less allowance	**2,620,000**	2,620,000
Amounts due from subsidiaries, net of allowance shown as current asset	**2,886,313**	–
Amounts due from subsidiaries, net of allowance shown as non-current asset	**–**	2,664,229
	2,886,313	2,664,229
Amounts due to subsidiaries shown as current liability	**2,085,203**	–
Amounts due to subsidiaries shown as non-current liability	**–**	2,175,961
	2,085,203	2,175,961

As at 31 March 2006, all balances with subsidiaries are unsecured, interest free and are repayable on demand. In the opinion of the Directors, the balances will be receivable and repayable within twelve months from the balance sheet date and, accordingly, the balances are classified as current. As at 31 March 2005, all balances with subsidiaries are unsecured, interest free and will not be receivable and repayable for the next twelve months from the balance sheet date and, accordingly, the balances are classified as non-current.

Particulars of the Company's principal subsidiaries at 31 March 2006 are set out in Note 38.

The fair value of the amounts due from (to) subsidiaries of the Company at 31 March 2006 approximates to the corresponding carrying amount.

23. Inventories

	THE GROUP	
	2006 HK$'000	2005 HK$'000
Raw materials	**212,990**	180,643
Work in progress	**634**	2,752
Finished goods	**429**	315
	214,053	183,710

24. Accounts Receivable, Deposits and Prepayments

	THE GROUP		THE COMPANY	
	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000
Accounts receivable, net of allowance of approximately HK$38,717,000 (2005: HK$41,166,000)	**501,421**	447,493	**–**	–
Prepayments	**49,497**	41,415	**–**	–
Rental and other deposits	**18,746**	15,930	**1,351**	–
Others	**22,960**	18,516	**508**	793
	592,624	523,354	**1,859**	793

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:

	2006 HK$'000	2005 HK$'000
0 – 1 month	**233,545**	190,191
1 – 3 months	**228,108**	166,919
Over 3 months	**39,768**	90,383
	501,421	447,493

The fair value of the accounts receivable of the Group and of the Company at 31 March 2006 approximates to the corresponding carrying amount.

25. Derivative Financial Instruments

	THE GROUP	
	2006 Assets HK$'000	2005 Assets HK$'000
Forward foreign currency contract	**170**	–

Major terms of the forward foreign currency contract is as follows:

Notional amount	Maturity	Exchange rates
Buy USD2,000,000	3 April 2006	HKD7.727 to USD1
Buy USD2,000,000	3 May 2006	HKD7.727 to USD1
Buy USD2,000,000	2 June 2006	HKD7.727 to USD1

The above derivative is measured at fair value at each balance sheet date. The fair value is determined based on the quoted market prices for equivalent instruments at the balance sheet date.

26. Restricted Bank Balances/Bank Balances and Cash

The Group and the Company

As at 31 March 2006, included in bank balances and cash was an amount of HK$5,411,000 (2005: HK$5,411,000) which was restricted for the use of setting certain debts and claims as stipulated as part of a share capital reduction exercise carried out during the year ended 31 March 2003.

The Group's cash are considerably placed in time deposits for periods from daily to tenor not exceeding three months. Such deposits bear interest at current market deposit rates in accordance with respective tenor. The Directors of the Company consider that the carrying amount of the bank balances and cash of the Group and of the Company approximates to their fair values.

27. Accounts Payable and Accrued Charges

	THE GROUP		THE COMPANY	
	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000
Accounts payable	**151,164**	114,932	**–**	–
Accrued charges *(Note)*	**299,767**	257,781	**6,056**	6,345
	450,931	372,713	**6,056**	6,345

Note: The accrued charges include an amount of HK$52,961,000 (2005: HK$59,311,000) accrued for legal and professional expenses. The provision is for the number of proceedings is disclosed in Note 34.

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

	2006 HK$'000	2005 HK$'000
0 – 1 month	**112,562**	80,946
1 – 3 months	**26,517**	23,036
Over 3 months	**12,085**	10,950
	151,164	114,932

The fair value of the accounts payable and accrued charges of the Group and of the Company at 31 March 2006 approximates to the corresponding carrying amount.

28. Bank Borrowings

An analysis of the secured bank loans is as follows:

	2006 HK$'000	2005 HK$'000
Carrying amount repayable		
– within one year	**79,570**	53,793
– in the second year	**80,165**	54,347
– in the third year	**80,787**	54,918
– in the fourth year	**19,882**	45,513
– in the fifth year	**–**	8,663
	260,404	217,234
Less: Current portion	**(79,570)**	(53,793)
Non-current portion	**180,834**	163,441

All bank loans are variable-rate borrowings which carry interest ranging from 1 month to 2 years fixed deposit rate of 1.01% to 2.60% plus 0.6% to 2.25% per annum (2005: ranging from Hong Kong Interbank Offered Rate ("HIBOR") plus 1.105% to HIBOR plus 2% per annum).

The Group's bank loan that are denominated in currencies other than functional currency of the Company are set out below:

	New Taiwanese Dollar ("NTD") '000	Equivalent to HK$'000
As at 31 March 2006	**1,089,533**	**260,404**
As at 31 March 2005	272,430	67,234

The fair value of the secured bank loans of the Group at 31 March 2006 approximates to the corresponding carrying amount.

29. Retirement Benefits Plans

	2006 HK$'000	2005 HK$'000
Obligations on:		
Pensions – defined contribution plans *(Note (a) & (b))*	**2,833**	115
Pensions – defined benefit plans *(Note (b))*	**19,662**	19,061
	22,495	19,176

29. Retirement Benefit Plans *(continued)*

Notes:

(a) The Group operates three defined contribution retirement schemes (the "HK Schemes") and a mandatory provident fund scheme (the "MPF Scheme") for eligible employees in Hong Kong.

The Group's and the employees' contributions to the MPF Scheme are each set at 5% of the employees' salaries up to a maximum of HK$1,000 per employee per month. The Group's contributions to the MPF Scheme are fully and immediately vested in the employees once they are paid.

The Group's and the employees' contributions to the HK Schemes are each set at 5%, after deducting the MPF contributions, of the employees' salaries including basic salaries, commission and certain bonuses.

The HK Schemes and the MPF Scheme were established under trust with the assets of the funds held separately from those of the Group by independent trustees.

Forfeited contributions totalling HK$1,044,000 (2005: HK$1,833,000) were utilised during the year. At 31 March 2006, HK$186,000 (2005: HK$9,000) was available to reduce future contributions in respect of the HK Schemes.

As at 31 March 2006, the Group had contributions payable under the HK Schemes and the MPF Scheme totalling HK$2,833,000 (2005: HK$115,000) which is included in accounts payable and accrued charges under current liabilities in the consolidated balance sheet.

(b) The Group also operates two defined benefit retirement schemes for its eligible employees in Taiwan (the "Taiwan Schemes"). According to the Labor Standards Law of Taiwan before 1 July 2005, the Group's contributions to the Taiwan Schemes should not be less than 2% of the employees' salaries. Starting from 1 July 2005, employees may choose the scheme where the rate of contribution by an employer should not be less than 6% of the employees' monthly salaries and the employees may also voluntarily contribute up to 6% of the monthly salaries to the provision fund account under the Labor pension Act of Taiwan. The assets of the Taiwan Schemes are held under a government-run trust separate from those of the Group. As at 31 March 2006, the Taiwan Schemes were valued by a qualified actuary, ClientView Management Consulting Co., Ltd., using the projected unit credit method.

The actual return on plan assets recognised as an asset was approximately HK$188,000 (2005: HK$51,000).

The amounts recognised in the consolidated balance sheet are determined as follows:

	2006 HK$'000	2005 HK$'000
Present value of funded obligations	**26,084**	23,474
Fair value of plan assets	**(10,849)**	(8,969)
	15,235	14,505
Unrecognised actuarial gains	**4,427**	4,556
Liability in the balance sheet	**19,662**	19,061

The amounts recognised in the consolidated income statement were as follows:

	2006 HK$'000	2005 HK$'000
Current service cost	**2,835**	9,330
Interest cost	**815**	584
Expected return on plan assets	**(284)**	(203)
Actuarial gains	**(101)**	–
Total, included in staff costs *(Note 16)*	**3,265**	9,711

29. Retirement Benefit Plans *(continued)*

Movement in the liability recognised in the consolidated balance sheet:

	2006 HK$'000	2005 HK$'000
At beginning of the year	**19,061**	13,935
Exchange difference	**(684)**	1,071
Amount charge to income statement	**3,265**	9,711
Contributions paid	**(1,980)**	(5,656)
At end of the year	**19,662**	19,061

The principal actuarial assumptions used were as follows:

	2006 %	2005 %
Discount rate	**3.50**	3.50
Expected rate of return on plan assets	**2.50**	2.50
Expected rate of future salary increases	**3.00**	3.00

30. Share Capital

	Authorised			
	2% convertible non-voting, non-cumulative, preference shares ("Preference shares")		Ordinary shares	
	No. of shares	HK$'000	No. of shares	HK$'000
Preferences shares of HK$1.75 each and ordinary shares of HK$1.00 each				
At 1 April 2004, 1 April, 2005 and 31 March 2006	1,160,000,000	2,030,000	2,570,000,000	2,570,000

	Issued and fully paid			
	Preference shares		Ordinary shares	
	No. of shares	HK$'000	No. of shares	HK$'000
At 1 April 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	–	–	8,869,800	8,869
At 31 March 2006	920,000,000	1,610,000	1,491,643,281	1,491,643

30. Share Capital *(continued)*

	2006 HK$'000	2005 HK$'000
Total issued and fully paid share capital		
Ordinary shares of HK$1.00 each	**1,491,643**	1,482,774
Preference shares of HK$1.75 each	**1,610,000**	1,610,000
	3,101,643	3,092,774

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 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.

31. Share Option Schemes

(a) Share Option Schemes adopted by the Company

(i) 1993 Option Scheme

Pursuant to a share option scheme adopted by the Company on 20 September 1993 (the "1993 Option Scheme"), the following options have been granted to an employee of the Group to subscribe for ordinary shares in the Company in accordance with the terms thereof. The options are exercisable within ten years from the date of grant.

Details of the terms and movements of the share options under the 1993 Option Scheme are as follows:

				Number of options		
Category of grantee	Date of grant	Exercise price per share	Exercisable period	Balance as at 1.4.2004	Exercised during the year	Balance as at 31.3.2005
An employee	10.06.1999	HK$1.00	15.01.2000 – 15.06.2009	81,505	(81,505)	–

The 1993 Option Scheme expired on 20 September 2003 and therefore no further options were granted under this scheme. The exercise of any outstanding options granted under the 1993 Option Scheme shall continue to be governed by the terms of the 1993 Option Scheme and other specific terms and conditions in relation to the grant. As at 31 March 2005, all the outstanding share options under the 1993 Option Scheme were exercised.

31. Share Option Schemes *(continued)*

(a) Share Option Schemes adopted by the Company *(continued)*

(ii) 2000 Option Scheme

A share option scheme was adopted by the Company on 29 December 2000 (the "2000 Option Scheme") under which the Company may grant options to any of the Company's full time employees and Directors or employees and Directors of any of its subsidiaries. A nominal consideration of HK$10 is paid by the grantees for each lot of share options granted.

Details of the terms and movements of the share options granted pursuant to the 2000 Option Scheme are as follows:

				Number of options			
Category of grantee	Date of grant	Exercise price per share	Exercisable period	Balance as at 1.4.2005	Granted during the year	Exercised during the year	Balance as at 31.3.2006
Directors	18.03.2002	HK$1.67	19.03.2003 – 28.12.2010	4,154,000	–	(2,536,000)	1,618,000
	18.01.2006	HK$3.75	19.01.2007 – 28.12.2010	–	3,000,000	–	3,000,000
Employees	18.03.2002	HK$1.67	19.03.2003 – 28.12.2010	8,307,400	–	(6,333,800)	1,973,600
	24.08.2005	HK$3.325	25.08.2006 – 28.12.2010	–	1,000,000	–	1,000,000
	18.01.2006	HK$3.75	19.01.2007 – 28.12.2010	–	6,100,000	–	6,100,000
	01.03.2006	HK$4.35	02.03.2007 – 28.12.2010	–	1,000,000	–	1,000,000
				12,461,400	11,100,000	(8,869,800)	14,691,600

				Number of options			
Category of grantee	Date of grant	Exercise price per share	Exercisable period	Balance as at 1.4.2004	Exercised during the year	Lapsed during the year	Balance as at 31.3.2005
Directors	18.03.2002	HK$1.67	19.03.2003 – 28.12.2010	4,154,000	–	–	4,154,000
Employees	18.03.2002	HK$1.67	19.03.2003 – 28.12.2010	13,562,800	(4,057,400)	(1,198,000)	8,307,400
				17,716,800	(4,057,400)	(1,198,000)	12,461,400

31. Share Option Schemes *(continued)*

(a) Share Option Schemes adopted by the Company *(continued)*

(ii) 2000 Option Scheme (continued)

Share options were exercised on various dates from 14 April 2005 to 28 March 2006. The weighted average closing prices of the Company's share immediately before the dates on which the share options were exercised during such period are ranged from HK$2.93 to HK$4.50. The options granted under the 2000 Option Scheme (except those options granted on 1 March 2006) vest as follows:

On 1st anniversary of the date of grant	30% vested
On 2nd anniversary of the date of grant	Further 30% vested
On 3rd anniversary of the date of grant	Remaining 40% vested

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

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

During the year ended 31 March 2006, options were granted on 24 August 2005, 18 January 2006 and 1 March 2006. The estimated fair values of the options granted on those dates are HK$951,000, HK$10,053,000 and HK$1,329,000.

These fair values were calculated by using the binominal model. The inputs into the model with different grant date were as follows:

Grant date	24 August 2005	18 January 2006	1 March 2006
Exercise price	HK$3.325	HK$3.75	HK$4.35
Expected volatility	40%	40%	40%
Risk-free rate	3.9%	3.85%	4.08%
Expected dividend yield	2.5%	2.5%	2.5%
Sub optimal early exercise factor	150%	150%	150%
Expected rate of post vesting withdrawal	5% per annum	5% per annum	5% per annum

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 10 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

The Group and the Company recognised the total expense of HK$1,540,000 for the year ended 31 March 2006 (2005: Nil) in relation to share options granted by the Company.

31. Share Option Schemes *(continued)*

(b) Share option schemes adopted by certain subsidiaries

Each of Apple Daily Publication Development Limited ("ADPDL") and Next Media Publishing Limited ("NMPL") (collectively the "Subsidiaries"), wholly-owned subsidiaries of the Company, adopted share option schemes (the "Subsidiary Share Option Schemes") on 31 July 2002. Under the Subsidiary Share Option Schemes, the Subsidiaries may grant to any of their full-time employees and Directors or employees and Directors of any of their subsidiaries options to subscribe for the respective ordinary shares of ADPDL and NMPL. The number of shares which may be issued upon exercise of all outstanding options granted under the Subsidiary Share Option Schemes and any other share option scheme of the Subsidiaries is limited to 30% of the Subsidiaries' shares in issue from time to time.

Movements in the number of share options granted pursuant to the Subsidiary Share Option Schemes during the year are as follows:

	Number of options	
	ADPDL	NMPL
At 1 April 2004	825,000	425,000
Granted	50,000	200,000
Lapsed	(125,000)	–
Cancelled	(70,000)	(100,000)
At 31 March 2005 and at 1 April 2005	680,000	525,000
Granted	115,000	–
Lapsed	(25,000)	(175,000)
At 31 March 2006	770,000	350,000

Included in the above analysis were 350,000 (2005: 275,000) options granted to the Directors of the Company to subscribe for the shares of ADPDL.

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 year ended 31 March 2006.

32. Reserves

	Share premium HK$'000	Property revaluation reserve HK$'000	Share options reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
THE COMPANY					
At 1 April 2004	219,478	764	–	2,208	222,450
Profit for the year	–	–	–	105,267	105,267
Exercise of share options	2,719	–	–	–	2,719
At 31 March 2005	222,197	764	–	107,475	330,436
Profit for the year	–	–	–	659,254	659,254
Exercise of share options	5,943	–	–	–	5,943
Employee share option benefits	–	–	1,540	–	1,540
Dividends	–	–	–	(479,367)	(479,367)
At 31 March 2006	228,140	764	1,540	287,362	517,806

33. Deferred Taxation

The movement on the deferred tax liabilities (assets) account is as follows:

	THE GROUP		THE COMPANY	
	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000
At beginning of the year	**315,903**	353,066	**2,400**	2,132
Exchange differences	**–**	8	**–**	–
(Credit) charge to income statement for the year	**(4,752)**	(37,171)	**389**	268
At end of the year	**311,151**	315,903	**2,789**	2,400

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

THE GROUP

Deferred tax liabilities	Accelerated tax depreciation		Intangible assets		Total	
	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000
At beginning of the year	**91,214**	96,284	**245,148**	286,253	**336,362**	382,537
Exchange differences	**–**	8	**–**	–	**–**	8
Charge (credit) to income statement for the year	**1,371**	(5,078)	**(7,875)**	(41,105)	**(6,504)**	(46,183)
At end of the year	**92,585**	91,214	**237,273**	245,148	**329,858**	336,362

33. Deferred Taxation *(continued)*

THE GROUP *(continued)*

Deferred tax assets	Tax losses		Others		Total	
	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000
At beginning of the year	**(15,590)**	(25,462)	**(4,869)**	(4,009)	**(20,459)**	(29,471)
Charge (credit) to income statement for the year	**1,547**	9,872	**205**	(860)	**1,752**	9,012
At end of the year	**(14,043)**	(15,590)	**(4,664)**	(4,869)	**(18,707)**	(20,459)

As at 31 March 2006, the Group had estimated unused tax losses of approximately HK$1,141,466,000 (2005: HK$1,286,322,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$74,864,000 (2005: HK$89,086,000) of such losses. No deferred tax asset has been recognised in respect of the remaining approximately HK$1,066,602,000 (2005: HK$1,197,236,000) due to the unpredictability of future profits streams. The expiry dates of these tax losses are as follows:

	2006 HK$'000	2005 HK$'000
Indefinite	**464,381**	485,227
Expiry in:		
2007	**–**	31,103
2008	**75,140**	46,644
2009	**490,536**	598,799
2010	**111,409**	124,549
	1,141,466	1,286,322

THE COMPANY

Deferred tax liabilities	Accelerated tax depreciation	
	2006 HK$'000	2005 HK$'000
At beginning of the year	**11,144**	10,535
Charge to income statement for the year	**663**	609
At end of the year	**11,807**	11,144

Deferred tax assets	Tax losses		Others		Total	
	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000
At beginning of the year	**(8,710)**	(8,369)	**(34)**	(34)	**(8,744)**	(8,403)
Credit to income statement for the year	**(274)**	(341)	**–**	–	**(274)**	(341)
At end of the year	**(8,984)**	(8,710)	**(34)**	(34)	**(9,018)**	(8,744)

33. Deferred Taxation *(continued)*

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	THE GROUP		THE COMPANY	
	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000
Deferred tax liabilities	**314,723**	316,961	**2,789**	2,400
Deferred tax assets	**(3,572)**	(1,058)	**–**	–
	311,151	315,903	**2,789**	2,400

34. Contingent Liabilities

(a) Pending litigations

As at 31 March 2006, the Group had contingent liabilities in respect of a number of legal proceedings in Hong Kong and Taiwan arising in the normal course of its publishing business. In addition, the Group had a dispute with UDL Contracting Limited ("UDL") as contractor for the construction of a printing facility of a subsidiary of the Company, Apple Daily Printing Limited, over amounts payable in respect of the construction of the facility, which is currently under arbitration.

The information required by HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" is not disclosed on the ground that it can be expected to prejudice seriously the outcome of the litigation. The Directors are of the opinion that the claim be successfully resisted by the Company.

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 has been renewed 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 counsel and the Indemnity given by Mr. Lai, are of the opinion that any ultimate liability under these proceedings would not have a material impact on the financial position of the Group.

(b) Guarantees

	THE COMPANY	
	2006 HK$'000	2005 HK$'000
Guarantees given to financial institutions in respect of credit facilities utilised by subsidiaries	**125,360**	151,040

35. Commitments

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

	THE GROUP 2006 HK$'000	THE GROUP 2005 HK$'000	THE COMPANY 2006 HK$'000	THE COMPANY 2005 HK$'000
Authorised but not contracted for	**140**	–	**–**	–
Contracted but not provided for	**91,791**	5,556	**–**	–
	91,931	5,556	**–**	–

(b) Commitments under operating leases

The Group as lessee

At 31 March 2006, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2006			2005		
	Properties HK$'000	Plant and equipment HK$'000	Total HK$'000	Properties HK$'000	Plant and equipment HK$'000	Total HK$'000
Within one year	**4,494**	**9,631**	**14,125**	3,323	7,707	11,030
In the second to fifth years inclusive	**2,039**	**7,354**	**9,393**	893	4,581	5,474
	6,533	**16,985**	**23,518**	4,216	12,288	16,504

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

The Group as lessor

Rental income earned during the year was HK$1,628,000 (2005: HK$1,741,000). The properties held have committed tenants for the next two years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2006 HK$'000	2005 HK$'000
Within one year	**971**	1,511
In the second to fifth year inclusive	**318**	542
	1,289	2,053

36. Post Balance Sheet Events

On 17 March 2006, the Group entered into a sale and purchase agreement with an independent third party in relation to the acquisition of a property in Taiwan at a total consideration of NTD34,763,000 (equivalent to approximately HK$8,300,000) and the transaction was completed on 23 May 2006. On 27 April 2006, the Group entered into sale and purchase agreements with independent third parties in relation to the acquisition of properties in Taiwan at a total consideration of NTD196,489,000 (equivalent to approximately HK$47,000,000) and the transaction was completed on 5 June 2006.

37. Related Party Disclosure

Compensation of key management personnel

The remuneration of Directors and other members of key management during the year was as follows:

	THE GROUP 2006 HK$'000	THE GROUP 2005 HK$'000
Short-term benefits	**3,642**	3,568
Share-based payments	**381**	–
	4,023	3,568

There is no other related party transactions for the year ended 31 March 2005 and 31 March 2006.

38. Particulars of Principal Subsidiaries

Particulars of the principal subsidiaries of the Company at 31 March 2006 are as follows:

Name	Place of incorporation/ operation	Paid up issued share capital	Proportion of nominal value of issued capital indirectly held by the Company %	Principal activities
Apple Daily I. P. Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1	100	Holding of masthead and publishing rights of newspaper
Apple Daily Limited	Hong Kong	200,000,000 ordinary shares of HK$0.01 each	100	Publication and selling of newspaper and selling of newspaper advertising space
Apple Daily Printing Limited	Hong Kong	100,000,000 ordinary shares of HK$1 each	100	Printing of newspaper
Apple Daily Publication Development Limited	Hong Kong/Taiwan	10,000,000 ordinary shares of HK$0.01 each	100	Publication and selling of newspaper and selling of newspaper advertising space
Book Art Inc.	Canada	100 common shares of C$1 each	100	Printing agency
Cameron Printing Company Limited	Hong Kong	5,000,000 ordinary shares of HK$1 each	100	Hire of plant and machinery
Database Gateway Limited	British Virgin Islands	739,001,531 ordinary shares of HK$1 each	100 *(Note)*	Investment holding
Easy Finder I.P. Limited (Formerly known as Easy Media Limited)	British Virgin Islands/ Hong Kong	11,000 ordinary shares of US$1 each	100	Holding of masthead and publishing rights of magazines
Easy Finder Limited	Hong Kong	10,000 ordinary shares of HK$1 each	100	Publication and selling of magazines

38. Particulars of Principal Subsidiaries *(continued)*

Name	Place of incorporation/ operation	Paid up issued share capital	Proportion of nominal value of issued capital indirectly held by the Company %	Principal activities
Easy Finder Marketing Limited	Hong Kong	20,000,000 ordinary shares of HK$1 each and 855,000,000 ordinary shares of HK$0.01 each	99.67	Selling of magazines advertising space
Eat and Travel Weekly Company Limited	Hong Kong	2 ordinary shares of HK$1 each	100	Publication and selling of magazines and selling of magazines advertising space
Job Finder Limited	Hong Kong	10,000 ordinary shares of HK$1 each	100	Selling of magazines advertising space
Next Magazine Advertising Limited	Hong Kong	1,000 ordinary shares of HK$1 each	100	Selling of magazines advertising space
Next Magazine Publishing Limited	Hong Kong	1,000 ordinary shares of HK$1 each	100	Publication and selling of magazines
Next Media I. P. Limited	British Virgin Islands/ Hong Kong	1,000 ordinary shares of HK$1 each	100	Holding of masthead and publishing rights of magazines
Next Media Interactive Limited	British Virgin Islands/ Hong Kong	10,001 ordinary shares of US$1 each	100	Provision of internet subscription, content and selling of advertising space
Next Media Management Services Limited	Hong Kong	2 ordinary shares of HK$1 each	100	Provision of management services
Next Media Publishing Limited	Hong Kong/Taiwan	10,000,000 ordinary shares of HK$0.01 each	100	Publication and selling of magazines and selling of magazines advertising space
Paramount Printing Company Limited	Hong Kong	15,000 ordinary shares of HK$100 each	100	Provision of printing services
Rainbow Graphic & Printing Company Limited	Hong Kong	600,000 ordinary shares of HK$1 each	100	Provision of printing and reprographic services
Sudden Weekly Limited	Hong Kong	2 ordinary shares of HK$1 each	100	Publication and selling of magazines and selling of magazines advertising space

The above table includes the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

Note: The subsidiary was directly held by the Company.