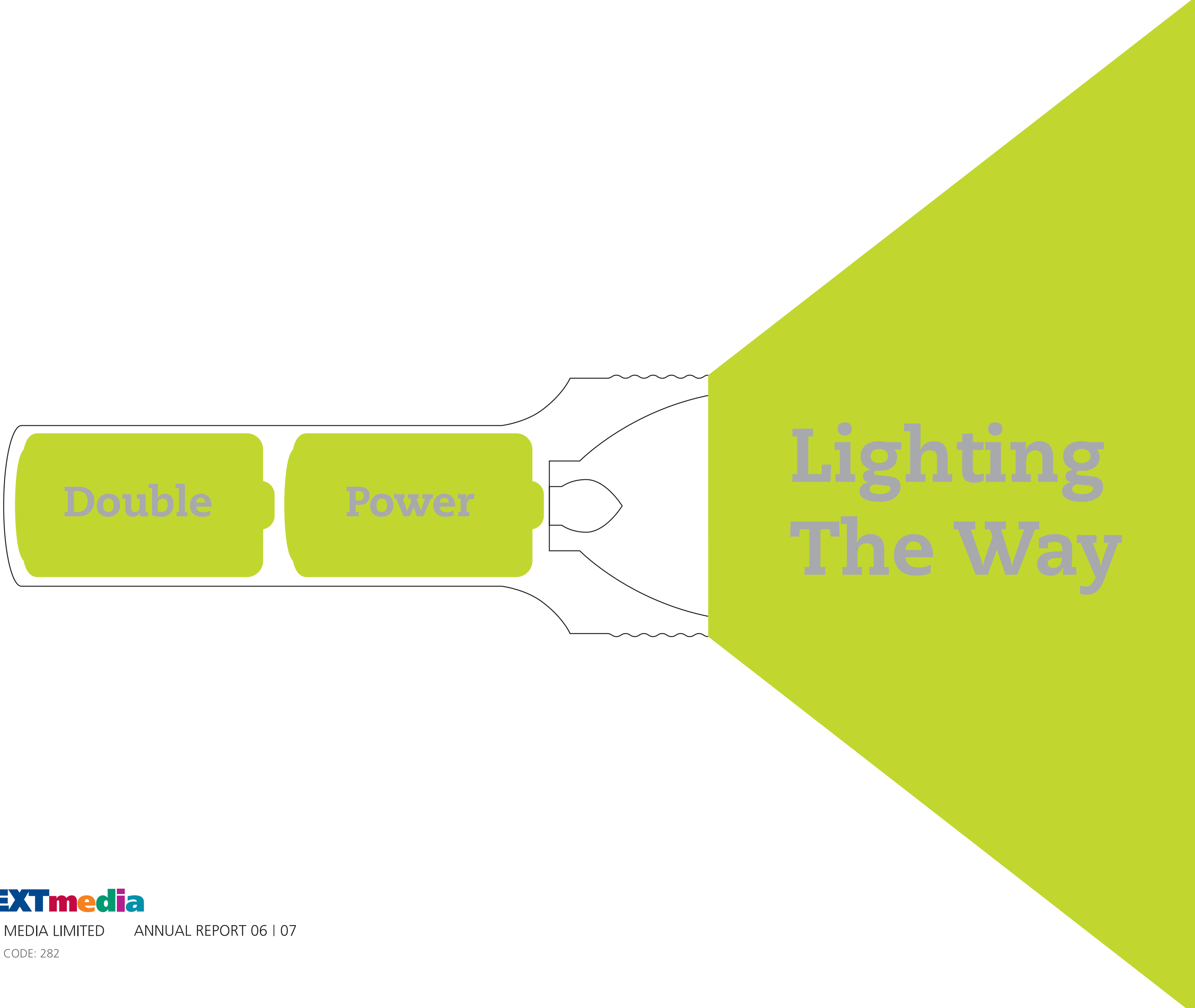


NEXTmedia

NEXT MEDIA LIMITED ANNUAL REPORT 06 | 07

STOCK CODE: 282

Lighting Up Our Lives

NEXTmedia

Double Power

Reaching Beneath the

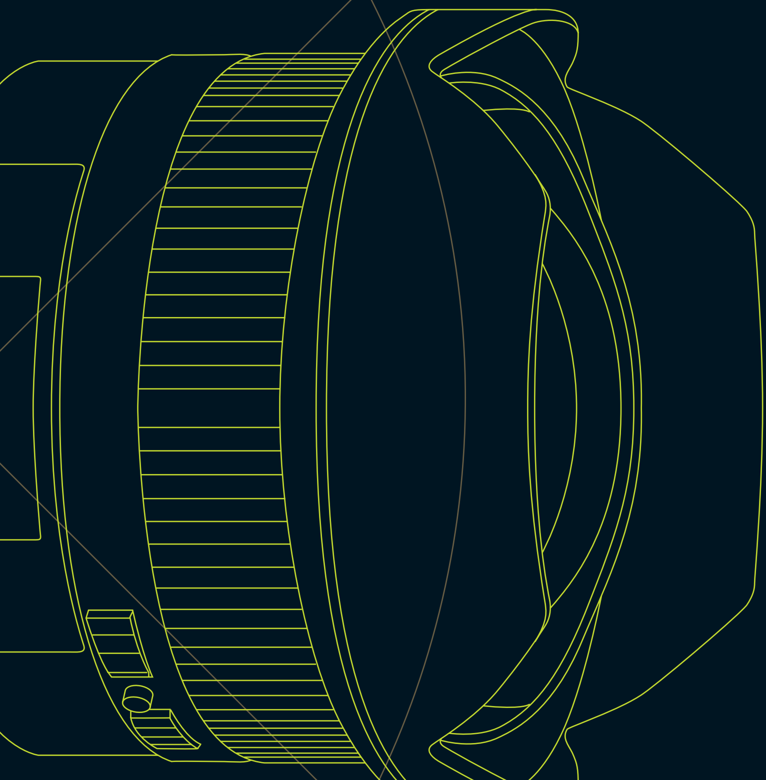
Surface

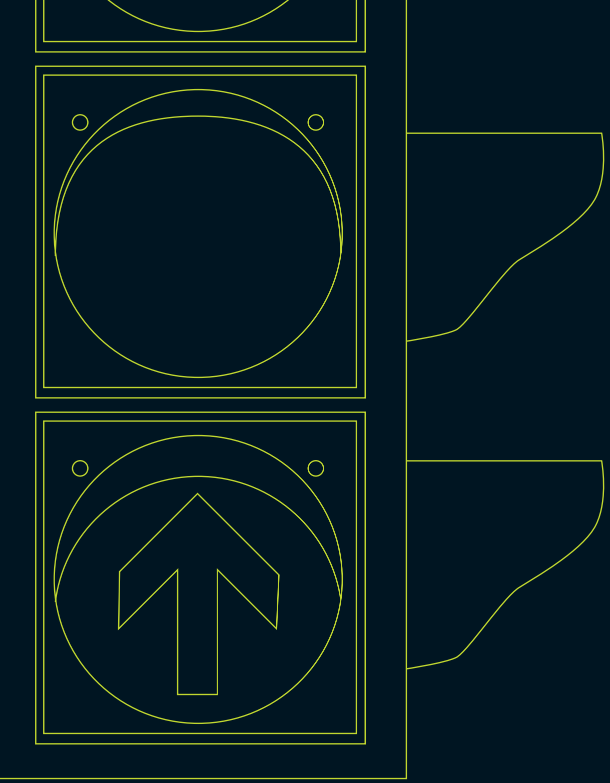
Next Media's mission is not only to deliver the latest, most complete and accurate information to our readers in Hong Kong and Taiwan, but to do so in a style that is vigorous, frank and reaches beneath the surface of the news. These same high standards are reflected in our commitment to enhancing transparency of our communications with investors and shareholders.

Twin-Propelled Engine of

News

Our frontline teams of photographers and journalists in Hong Kong and Taiwan are ready to respond to breaking news wherever and whenever it occurs. Thousands of backroom staff work round the clock to support these teams and to ensure that fresh light is shed on each subject through timely, informed assistance and unstinting professionalism.



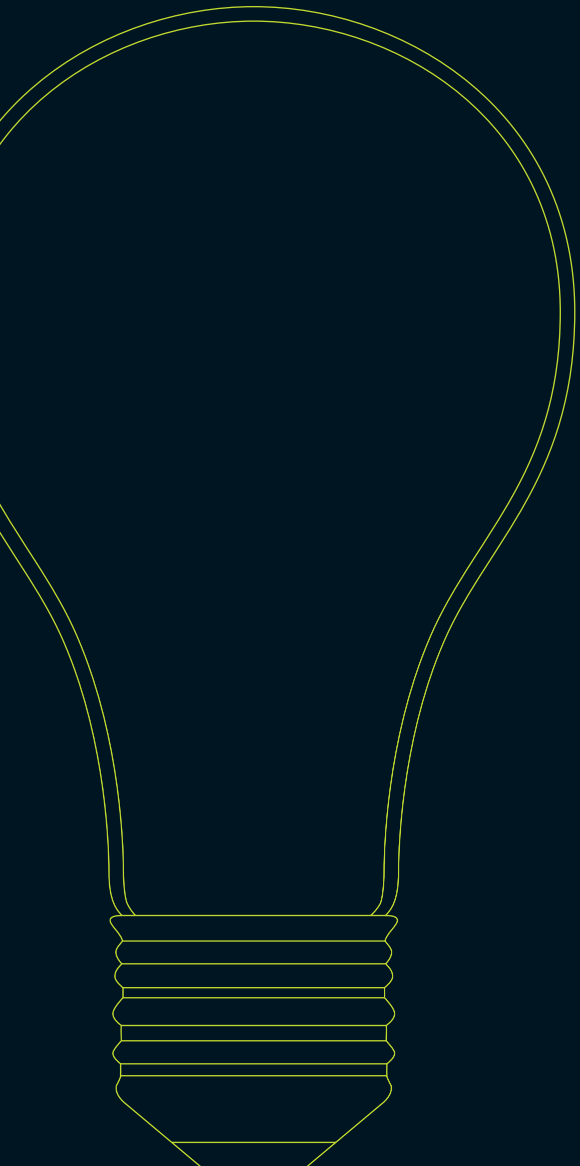


Building on a Double Foundation

Next Media's strategy is based on flexibility and the twin pillars of stability and dynamism. The Group benefits from a solid franchise as the leading Chinese-language print media group in Hong Kong while Taiwan represents a tremendous opportunity for growth with as yet largely untapped potential.

Enlightening the Public

Whether in Hong Kong or Taiwan, Next Media is committed to educating, informing and entertaining our readers with up-to-the-minute news at all hours of the day or night, every single day of the year. With our four leading titles in Hong Kong, and our two major titles in Taiwan, we provide excellence of content in vivid formats to the reading public of our major markets.




港人內地遊
促房委
放寬租金援助

Chairman's Statement

A Flexible Strategy for a Brighter Outlook

I am pleased to present Next Media's financial results for the year 2006/07, recording a performance that was steady and satisfactory. Once again, the growth story was largely centred on our Taiwan operation, where solid progress was made. Our foresight in seeking out and establishing ourselves in the new market of Taiwan in an age where the Internet, free dailies and other new media are growing in popularity in mature markets like Hong Kong was once more supported by the contribution from our Taiwan operation.

Ever since May 2001, when we launched *Taiwan Next Magazine*, the title has continued to sell more copies than any other weekly magazine on the island and has been profitable since 2004. According to the audited figures, an average of 129,000 copies were sold weekly during the six months ended 31 December 2006, which once more underlined its position as the leading magazine in Taiwan.

The growth trajectory and impact of *Taiwan Apple Daily* have been similar, if not even more impressive, influencing the island's entire newspaper industry. Launched in May 2003, *Taiwan Apple Daily* entered a market where competition with the three established major newspapers, each with their own sphere of influence and entrenched readership, was fierce and entry for newcomers difficult. We are pleased that the popular and open approach of the newspaper, with its lively journalistic content and colourful format, immediately won over a significant section of the island's 23 million population.

"Our foresight in seeking out and establishing ourselves in the new market of Taiwan in an age where the Internet, free dailies and other new media are growing in popularity in mature markets like Hong Kong was once more supported by the contribution from our Taiwan operation."

"In this Age of the Information Superhighway, we are committed not only to enriching the content of our print publications but also to devoting resources to the development of on-line media, both in terms of content and advertising."

As competitors have found with *Taiwan Next Magazine*, long traditions and entrenched readership make it difficult for Taiwan publications to imitate this fresh approach. *Taiwan Apple Daily* has therefore become one of the most widely read newspapers in Taiwan with an average daily readership of 2.60 million in 2006 and an average daily circulation of 517,000 according to AC Nielsen Taiwan and ROCABC. This has been achieved after being in the market for only three years even when we have increased the cover price in September 2005 to NT$15, which is NT$5 more than its competitors. As a result of the strong circulation numbers, robust advertising revenue and the increased cover price, *Taiwan Apple Daily* was profitable for the full financial year 2006/07.

Stability and Dynamism

Clearly, the Taiwan market still has significant upside for Next Media in terms of circulation revenues, advertising income and project earnings. We are much encouraged by our progress thus far in view of slower economic growth as a result of the island's political instability in the past year.

Naturally, there are cyclicality in all markets. In 2006, the squeeze on credit card risk in Taiwan impacted bank advertising, consumer spending and retailer income. These factors, combined with an anti-government corruption movement that began in May 2006 and fears about global warming that affected apparel advertising, resulted in a temporary decrease in advertising spending. Yet we are confident that the coming year is likely to see new positive factors come into play, such as the economic stimulus that usually precedes a presidential election and the fading effect of the credit card squeeze.

I continue to believe strongly that we have not yet developed the full potential of our already successful publications in Taiwan as the newspaper market of the island is at least several years behind that of Hong Kong. As I have said before, Taiwan represents a tremendous opportunity for growth while we benefit from a solid franchise in the now mature Hong Kong market.

Indeed, we believe that the island's fundamentals remain strong and that the outlook for its free and democratic society, and particularly for its enfranchised and open-minded citizens, presents us with a special opportunity to provide the kind of publications and products that meet the needs of its readers and advertisers. In addition to sharpening the competitive edge of our existing titles in the market, we have begun to launch or to consider further publications there. For example, in October 2006 we launched the free *Sharp Daily* within the Taipei metropolitan area in order to capture younger readers and small, local advertisers, bolstering our brand and presence in the market.

Lighting the Way

In regard to Hong Kong, our four leading magazines and the No. 2 newspaper, *Apple Daily*, Hong Kong represents a stable income source for Next Media, generating more than 50 per cent of total revenues. Against a backdrop of moderate growth in the 'real economy', a crowded and mature print media market and increase in competition, with more advertising media, free dailies and more event marketing, our advertising revenue has remained relatively stable, recording a modest decrease under the current market circumstances amidst high retail rents and a disappointing Disneyland effect on the spending patterns of tourists. There is no doubt that Hong Kong will continue to provide a solid foundation for our print media business as well as an established source of income in the coming years. Our aim is to look at our costs and efficiency, and to target further areas for improvement.

The market place is never standing still, nor are the minds of our readers. We are aware that their needs are constantly evolving in tune with the spirit of the times, and along with the developments in technology and accessibility. In this Age of the Information Superhighway, we are committed not only to enriching the content of our print publications but also to devoting resources to the development of on-line media, both in terms of content and advertising.

Our solid performance in 2006/07 is the result of none other than the hard work, resourcefulness and energy of our excellent teams in Hong Kong and Taiwan. The loyalty of our readers and the unwavering support of our shareholders for our vision also made a major contribution. I would like to take this opportunity to express my heartfelt thanks to all of you. I have no doubt that as Next Media goes from strength to strength, every member of the Company will continue to ensure that your trust is rewarded in the coming year.

Jimmy Lai
Chairman

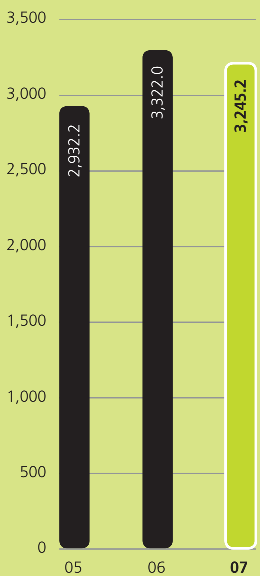
Revenue

3,245.2 Million

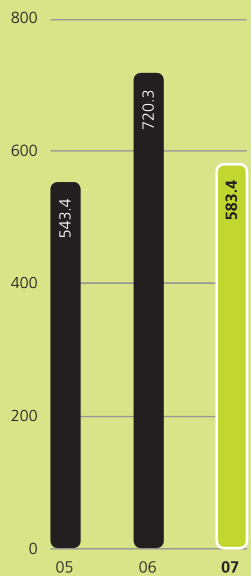
EBITDA

583.4 Million

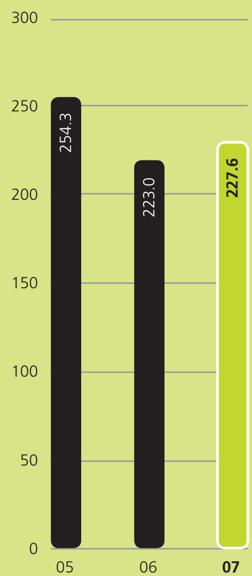
Revenue
HK$ million



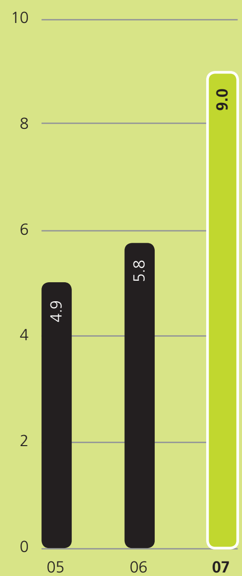
EBITDA and before impairment loss in respect of intangible assets
HK$ million



Quick ratio
%



Gearing ratio
%



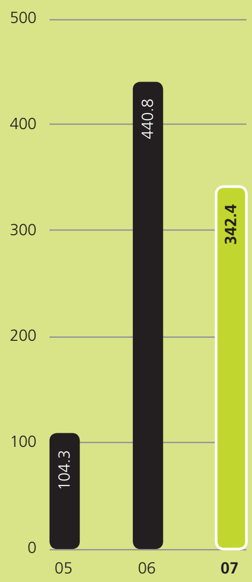
Profit for the year

342.4 Million

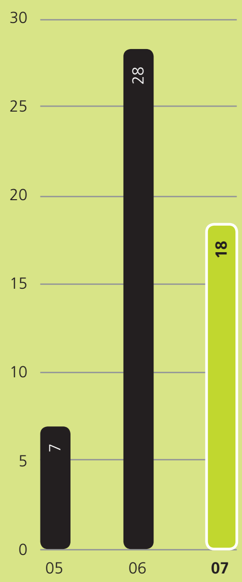
Basic earnings per share

HK18 cents

Profit for the year
HK$ million

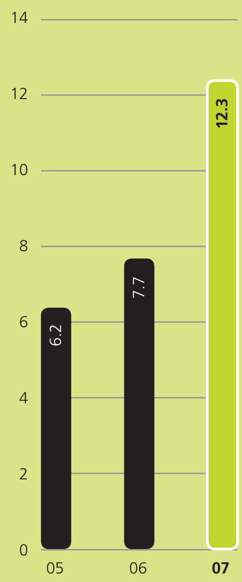


Basic earnings per share
HK cents

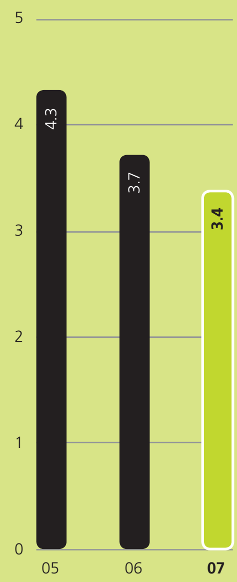


Current ratio
%

Debt to equity ratio
%



Working capital turnover



Annual Report

06 | 07

Management Discussion and Analysis

Next Media once more recorded satisfactory financial results for the year ended 31 March 2007. Despite the fierce competition in the market, its position as Hong Kong's largest Chinese-language print media group remained unchallenged. At the same time, its Taiwan operation recorded its first full year of profit.

Operational Review

Overview of Major Markets

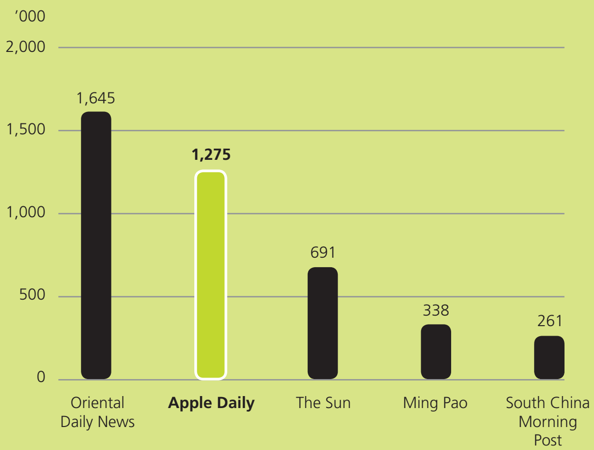
Hong Kong

The Hong Kong economy continued to grow steadily in the year under review, although visible gains were largely confined to the rise of the stock market. Income levels remained stable, rather than dramatically improving, and the rising number of individual travellers from China did not result in a marked increase in tourist spending as hoped. Against this background, Hong Kong's print media industry further matured and the market became increasingly crowded. Keen competition on advertising rates, as well as wintry conditions later in the year, affected advertising sales and publishers were given little opportunity to increase their shares of the existing market, in terms of either readership or advertising revenue.

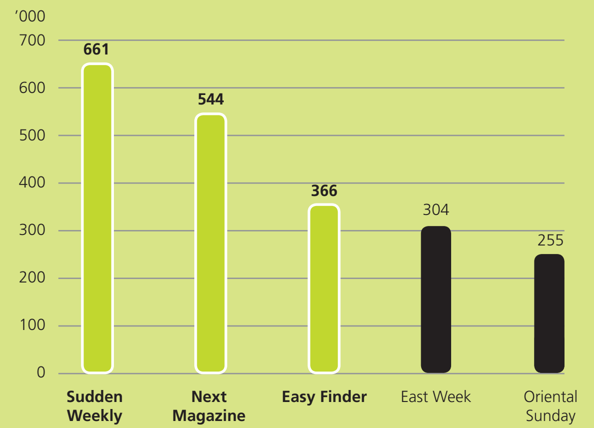
Nevertheless, Next Media remained as one of the largest Chinese-language print media conglomerates in Hong Kong. All its publications retained the market shares they have established over the past years.

> "Next Media remained as one of the largest Chinese-language print media conglomerates in Hong Kong. All its publications retained the market shares they have established over the past years. At the same time, its Taiwan operation recorded its first full year of profit."

Top Five Newspapers' Readership in Hong Kong
for the period from Jan 2006 –Dec 2006



Top Five Chinese Weekly Magazines' Readership in Hong Kong
for the period from Jan 2006 –Dec 2006



Source: 2006 Nielsen Media Index: Hong Kong Report

The two major dailies, including *Apple Daily*, continued to dominate the market. According to the 2006 Nielsen Media Index: Hong Kong Report (the "2006 Nielsen Report"), their combined readership of 2,920,000 accounted for 54.4 per cent of the total Hong Kong population aged 12 or over – a marginal decrease on their 2005 market share.

Apply Daily saw a 6.4 per cent increase in readership from mid-year 2006 and remained one of Hong Kong's bestselling newspapers in a highly competitive marketplace characterised by the launch of free dailies and cover price reductions. Despite the growth in the number of advertising media, such as event marketing, *Apple Daily's* advertising revenue just recorded a modest drop.

Next Magazine, *Sudden Weekly* and *Eat & Travel Weekly* (bundled with the newly launched *ME!* magazine as "*Sudden Weekly Bundle*") and *Easy Finder* (name changed to *FACE* with effect from 30 May 2007) and *Auto Express* and *Trading Express* ("*Easy Finder Bundle*") all held onto their leadership positions in their respective markets, meeting the challenge from other publications and the public's increasing interest in online media formats. The 2006 Nielsen Report revealed that these titles continued to be amongst the five most widely read weeklies in Hong Kong, and their combined readership of 2,130,000 accounted for 39.7 per cent of the population aged between 12 and 64. Next Media's titles also continued to attract a broad range of advertisers.

Taiwan

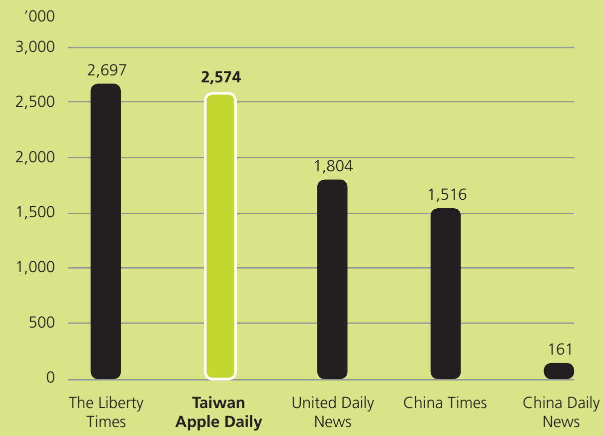
The people of Taiwan have developed a vibrant culture of openness, free information and enthusiastic debate over the years. The population of some 23 million is educated, widely travelled and affluent. Free speech and a free press are the cornerstones of Taiwan society.

Taiwan's print media, on the other hand, has long been constricted by conservatism, entrenched party or business loyalties, and individual vested interests. It was therefore no surprise when *Taiwan Next Magazine* burst upon the print media stage in 2001 and enlivened the market, nor when *Taiwan Apple Daily* followed suit in 2003. Their popular and unstuffy journalistic style and vibrantly colourful formats, tried and tested in Hong Kong but based on entirely Taiwanese content, have continued to make a marked impact on the general presentation of news and the standard of reporting on the island. No wonder that Taiwan's knowledge-conscious public has been so keen to embrace them.

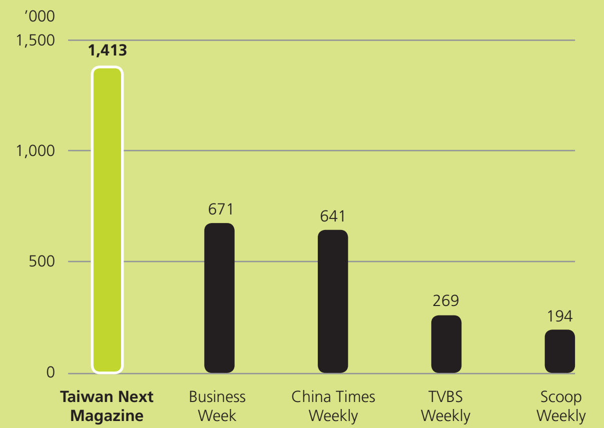
According to AC Nielsen (Taiwan) Limited ("AC Nielsen Taiwan"), the island's four most widely read newspapers (*Taiwan Apple Daily*, *China Times*, *Liberty Times* and *United Daily*) enjoyed a combined daily readership of 8,591,000 in 2006. This represented 49.8 per cent of the population aged over 12.

Since its launch in 2003, *Taiwan Apple Daily* has surpassed the readership of other Taiwan dailies to become one of the island's most widely read newspapers. In terms of circulation it was just behind *Liberty Times* at 15.7 per cent in the last quarter of 2006, but in terms of readership over a seven-day span (the "pass on" rate), its 28.3 per cent of the market is some 3.5 per cent ahead of its nearest rival. This has particular significance in Taiwan, where circulation figures are likely to be amplified three times more by "pass on" over a weekly span than in Hong Kong.

Top Five Newspapers' Readership in Taiwan
for the period from Jan 2006 –Dec 2006



Top Five Chinese Weekly Magazines' Readership in Taiwan
for the period from Jan 2006 –Dec 2006



Source: ACNielsen (Taiwan) Limited

Taiwan Next Magazine also continued to be significantly ahead of its nearest competitor. AC Nielsen Taiwan reported that it enjoyed an average weekly readership of 1,413,000 readers aged 12-65 in 2006, compared to the 641,000 readers of the second ranking title in the market.

Overall, the island's advertising spending decreased slightly in 2006, but the advertising, circulation and project income of *Taiwan Apple Daily* rose, while the advertising income of *Taiwan Next Magazine* remained steady and its project income rose. Despite the number of magazines in the market with specialised interest, *Taiwan Next Magazine* remained profitable while *Taiwan Apple Daily* embarked on its first full year of profitability. The result was that the Group's entire Taiwan operation was in the black for the full year.

Business Performance

The year ended 31 March 2007 was the fifth year since the Group acquired Database Gateway Limited and its subsidiaries in October 2001. The Group's turnover totalled HK$3,245.2 million, a slight decrease of 2.3 per cent on the previous financial year's figure of HK$3,322.0 million, which was mainly attributable to the trim down in turnover of the Books and Magazines Publication Division.

Newspapers Publication and Printing Division

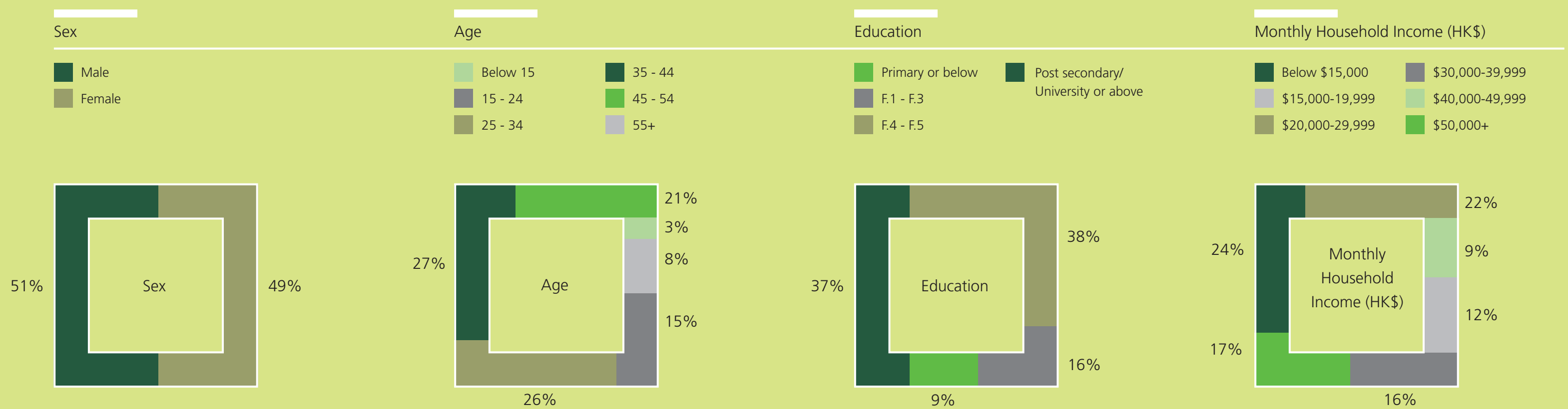
The Group's Newspapers Publication and Printing Division once more generated the largest share of its turnover in 2006/07. Turnover rose to HK$2,277.7 million, an increase of 0.1 per cent on the figure of HK$2,275.0 million during the previous financial year.

Hong Kong Apple Daily

During 2006/07, *Apple Daily* continued to be the second most widely read newspaper in Hong Kong. It remained popular amongst those readers that the 2006 Nielsen Report concluded to be of higher quality than its nearest competitor in terms of education, personal income, household income and occupation. These readers, including a high percentage of the office-skilled, non-retired and employed, continued to be loyal to *Apple Daily* despite the competition of free dailies, discounted cover prices and the popularity of online media as a relatively new and easily accessible source of information and daily news.

The 2006 Nielsen Report confirmed that *Apple Daily* enjoyed an average daily readership of 1,275,000 people aged 12 and above, compared to a figure of 1,323,000 in 2005, a decrease of 3.6 per cent. This was due to a sharpening of competition in the market. However, the same report reveals that the end-year 2006 figure was a 6.4 per cent improvement on the average daily readership of

Readership Profile of *Hong Kong Apple Daily*



Source: 2006 Nielsen Media Index: Hong Kong Report

1,198,000 at mid-year 2006. These figures were in turn considerably more than the 691,000 average daily readership of the next most popular daily at end-year 2006.

During the year under review, *Apple Daily's* turnover was HK$1,047.3 million, a decrease of 9.8 per cent on the previous year's figure of HK$1,161.1 million. Of this, circulation sales income accounted for HK$395.8 million, a decrease of HK$26.9 million or 6.4 per cent compared to the previous year's figure of HK$422.7 million. Advertising declined by HK$86.9 million from HK$738.4 million in 2005/06 to HK$651.5 million in 2006/07.

In terms of readership profile, *Apple Daily* continued to be attractive, especially to the reasonably well off and better educated. Once more, the percentage of its readers whose monthly household incomes were between HK$20,000 and HK$40,000 was higher than any of its rivals, so too was the percentage of its readers in the skilled office worker and professional/managerial/executive category.

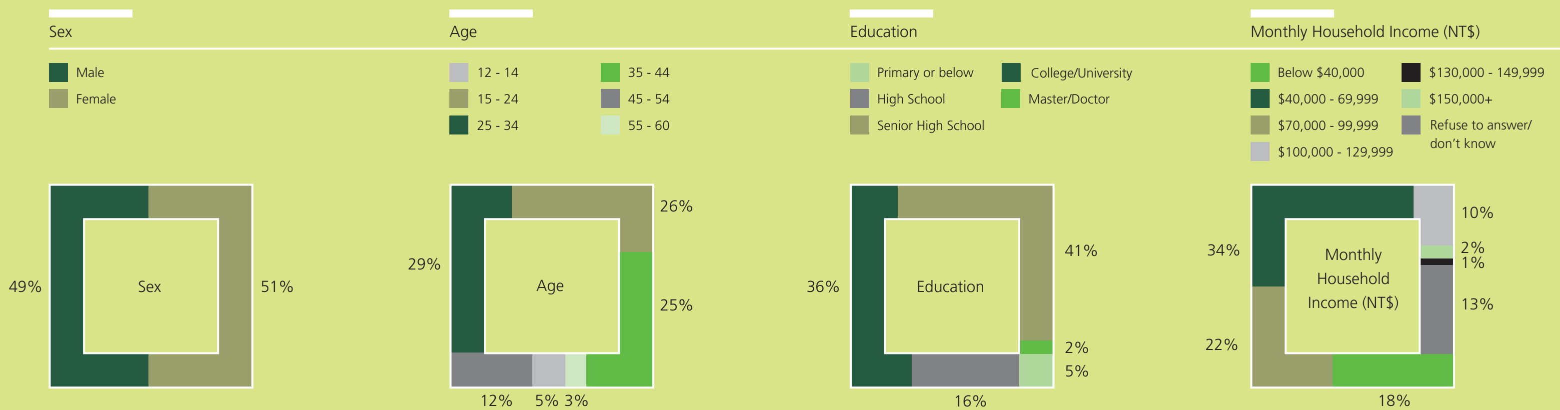
The newspaper is set to remain a major earnings driver for the Group in the future. The strong loyalty of its readers and their demographic and social backgrounds provide a key target audience for advertisers, who view the newspaper as a vital marketing medium for premier products and services in the Hong Kong and international market.

Taiwan Apple Daily

The arrival of *Taiwan Apple Daily* in May 2003 was like a new meteor in the firmament of the island's media industry. Over the years, despite a political and social culture that emphasised openness and debate, Taiwan's newspaper industry had petrified under a cloud of conservatism and monotony, with news and information presented in a dull black-and-white format that was light years behind the rest of Asia, and especially Hong Kong. The manner of distribution in Taiwan, which was (and is) mainly on a subscription basis, meant that readers simply took the newspaper they had always ordered and forgot there was a choice.

From the moment the first issue appeared, *Taiwan Apple Daily* was destined to inject new life into this moribund market. But vigorous, frank writing and a colourful, vivid format to match were not the only attractions for readers. *Taiwan Apple Daily* took a new route on distribution too. Almost all of its print run was sold in 24-hour convenience stores and other retail outlets, thereby capturing the attention of passers-by at all hours of day and night and ensuring they continued to buy a copy on a daily basis rather than waiting for a family member to pass on a well-thumbed subscription title.

Readership Profile of *Taiwan Apple Daily*



Source: ACNielsen (Taiwan) Limited

During the year under review, *Taiwan Apple Daily* reinforced its evident popularity among the island's readers. It achieved an average daily readership of 2,574,000 readers a day in 2006, or 14.9 per cent of the market, according to data from AC Nielsen Taiwan. The same survey reported that *Taiwan Apple Daily* and its nearest rival, *Liberty Times*, represented together 67.3 per cent of the reading population. *Taiwan Apple Daily* continued to grow in popularity among readers of every content category, particularly political and social news, and of every educational level in both urban and rural areas. In October 2006, we launched the free *Sharp Daily* within the Taipei metropolitan area in order to capture younger readers and small, local advertisers, bolstering our brand and presence in the market.

This steady rise in readership was also reflected in the growth of *Taiwan Apple Daily's* advertising income. Total advertising spending in Taiwan decreased slightly in 2006, but *Taiwan Apple Daily's* advertising income grew from HK$700.3 million to HK$738.3 million, a modest increase of 5.4 per cent.

As a result, *Taiwan Apple Daily's* financial performance has continued to strengthen, and it recorded a full-year profit of HK$69.4 million for the year ended 31 March 2007, compared to a profit of HK$1.2 million for the previous financial year. This encouraging performance underlines the Group's belief that *Taiwan Apple Daily* will become a major profit driver in the coming years.

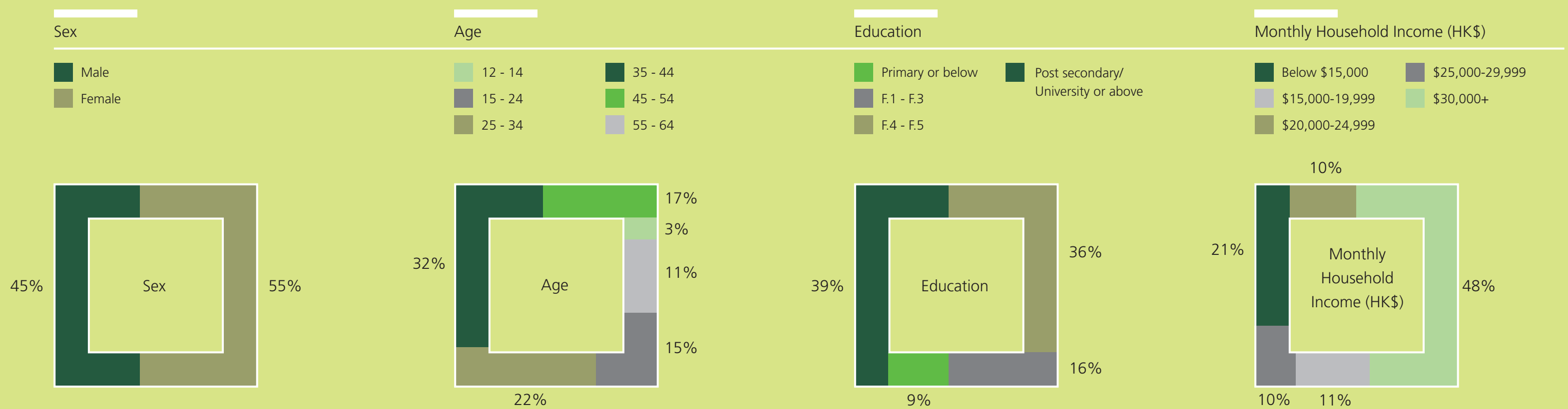
Apple Daily Printing Limited

The Group's newspaper printing business performed steadily despite keen competition during the year. Revenue from all printing operations in Hong Kong during 2006/07 amounted to HK$394.4 million, a drop of 4.9 per cent on the previous year's figure of HK$414.8 million. In addition to offering a comprehensive range of printing services to the Group's own titles, Apple Daily Printing Limited also extended its portfolio of external customers. Excluding transactions with Next Media titles, the Division's turnover in the 2006/07 financial year was HK$111.2 million, a year-on-year increase of HK$12.1 million or 12.2 per cent on the previous year's figure of HK$99.1 million.

Books and Magazines Publication Division

The turnover of the Group's Books and Magazines Publication Division trimmed down to HK$833.0 million during the year under review, a decrease of 7.7 per cent from the previous year's figure of HK$902.1 million.

Readership Profile of *Hong Kong Next Magazine*



Source: 2006 Nielsen Media Index: Hong Kong Report

Hong Kong Next Magazine

Despite the intense competition in the market, the turnover and profitability of *Next Magazine* remained steady, allowing it to retain its status as No.2 in the Hong Kong weekly magazine market.

The 2006 Nielsen Report noted that the average weekly readership of *Next Magazine* among 12 to 64-year-olds increased to 544,000 from 527,000 during the preceding year, an increase of 17,000 or 3.2 per cent. By contrast, the Hong Kong Audit Bureau of Circulation (the "HKABC") reported a slight dip of 13,000 copies or 9.6 per cent in the number of copies sold, from 135,000 in the second half of 2005 to 122,000 in the same period of 2006.

Nevertheless, *Next Magazine's* attraction for both male and female readers with post-secondary/tertiary education continued unabated. The title reached a far higher percentage of such people than any other weekly. It therefore continued to have a strong appeal for advertisers as a necessary vehicle for them to sell their products and services to young, relatively affluent professionals and managers. In an intensely competitive market, *Next Magazine's* advertising revenue recorded a decrease of 8.2 per cent, from HK$191.2 million in the 2005/06 to HK$175.6 million in 2006/07.

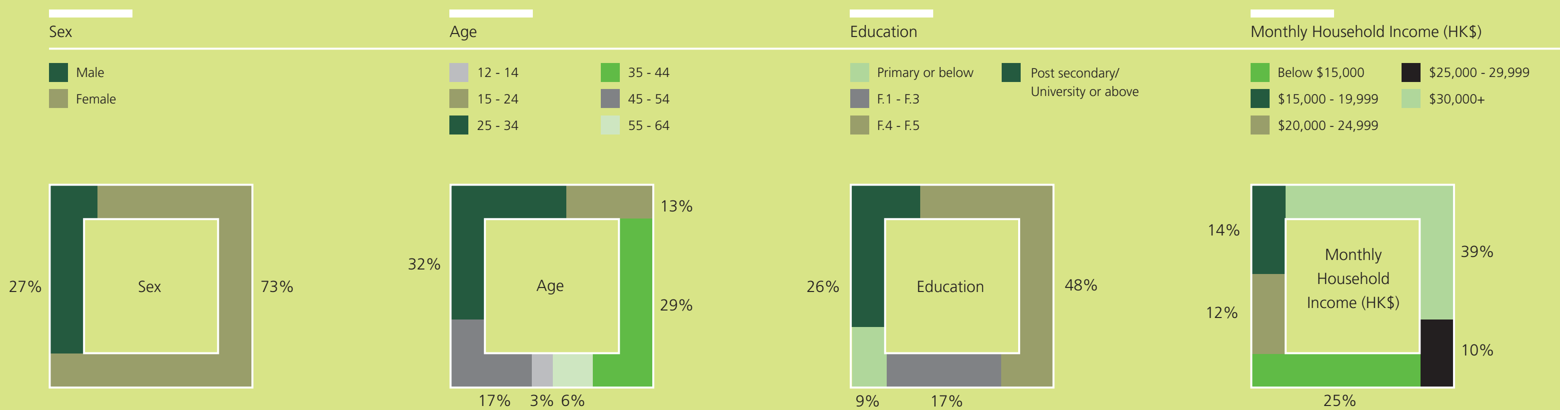
Sudden Weekly Bundle

Clear positioning, a niche depth and appeal, and innovative marketing ensured that *Sudden Weekly Bundle* continued to exert a strong hold on the market as the most widely read magazine in Hong Kong. In December 2006, *ME!*, a new magazine targeted at upmarket female readers and office ladies, was launched and bundled with *Sudden Weekly Bundle*.

The result was a rise in readership, which during the year ended 31 December 2006, grew to 661,000 from 635,000, an increase of 4.1 per cent, according to the 2006 Nielsen Report. The same survey noted that 72.8 per cent of the magazine's readers were female; almost 74.1 per cent were in the 15 to 44 category; and 61.4 per cent had a monthly household income above HK$20,000. These figures are likely to increase after the inclusion of *ME!* in the bundle, which is printed on quality paper and has a clear up-market positioning.

The total revenue of *Sudden Weekly Bundle* stood at HK$210.1 million as compared to the preceding year's figure of HK$226.7 million. Due to intense market competition, its advertising revenue dropped to HK$139.3 million from the previous year's figure of HK$153.0 million, a decrease of 9.0 per cent. In view of the good response from advertisers to the inclusion of *ME!* in the bundle, the performance of *Sudden Weekly Bundle* promises well for the future.

Readership Profile of *Sudden Weekly Bundle*



Source: 2006 Nielsen Media Index: Hong Kong Report

Easy Finder Bundle

Considered one of the best guides to the coolest fashions and trends, especially for brand-conscious 15 to 24-year-olds, *Easy Finder Bundle* maintained its niche position as a leader among the most widely read weeklies in Hong Kong. It also continued to attract media planners targeting the aims and aspirations of this high-spending section of the market.

According to the 2006 Nielsen Report, the magazine had an average weekly readership of 366,000 for 12 to 64-year-olds in 2006, an increase of 52,000 or 16.6 per cent as compared to the 2005 figure of 314,000. Of these, 35.5 per cent were in the 15-24 age group. At the same time, the HKABC reported that sales in the second half of 2006 stood at a weekly average of 98,317 copies, compared to 92,445 copies in the same period of 2005, an increase of 5,872 copies or 6.4 per cent.

During 2006/07, the *Easy Finder Bundle's* combined sales and advertising revenue totalled HK$120.2 million, a fall of 16.5 per cent on the previous year's figure of HK$143.9 million.

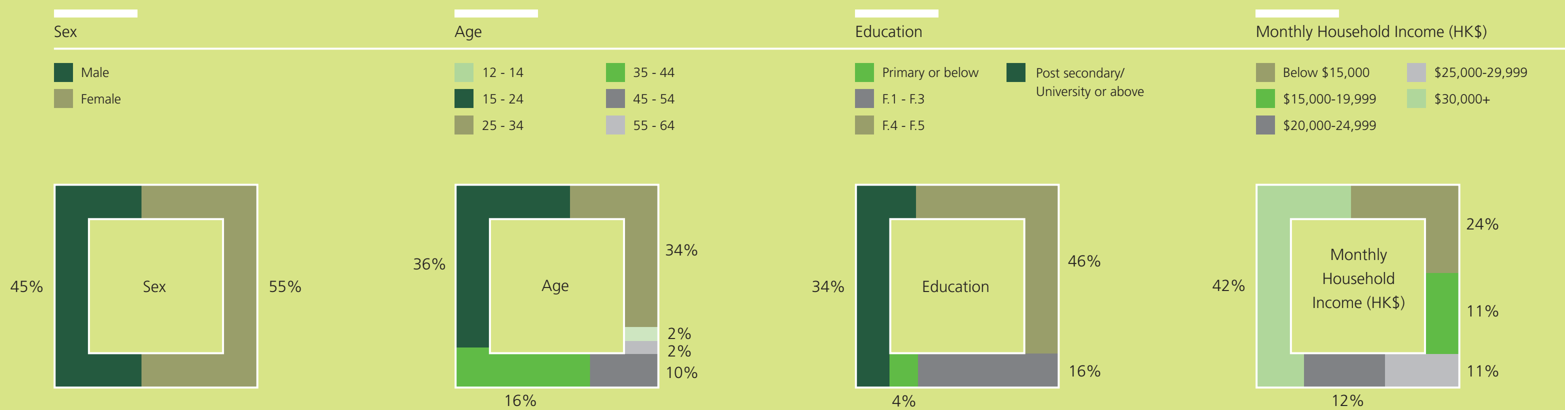
Taiwan Next Magazine

The direct style and engaging format of *Taiwan Next Magazine* have appealed to readers ever since the title came roaring off the press for the first time in 2001. Its reputation as the island's frankest, most fearless, most hotly debated and bestselling weekly was further bolstered by its deliberate cultivation of a paparazzi culture and its unconventional journalistic approach.

Data compiled by AC Nielsen Taiwan revealed that *Taiwan Next Magazine* was read by an average of 1,413,000 people in the 12-65 age group in 2006. The title managed to attract almost half the combined readership of all Taiwan's top five weekly magazines. Despite a slight drop in circulation, its readership continued to represent more than twice as many readers as its nearest rival. The Audit Bureau of Circulations, Republic of China figures for July-December 2006 showed that *Taiwan Next Magazine* sold an average of 129,107 copies a week, a slight decrease from the figure of 140,126 copies in the same period of the previous year.

Supported by a revenue model based on one-third cover price and two-thirds advertising revenue, advertising income for *Taiwan Next Magazine* amounted to HK$158.5 million, almost the same as the previous year's figure of HK$155.4 million. The title made a profit of HK$25.8 million, which was 44.6 per cent less than the previous year's figure of HK$46.6 million.

Readership Profile of *Easy Finder Bundle*



Source: 2006 Nielsen Media Index: Hong Kong Report

The dominant position of *Taiwan Next Magazine* in the local weekly magazine market is likely to continue to act as a business magnet for the island's top advertising agencies and advertisers. For this reason, and because of the more optimistic outlook for the advertising sector, the Group expects the title to maintain its position as one of the key drivers of profits in the coming years.

Books and Magazines Printing Division

The Books and Magazines Printing Division once more made a steady contribution to the Group's income during 2006/07. Its turnover totalled HK$272.3 million, a decrease of 11.1 per cent over the previous fiscal year's figure of HK$306.3 million. Of this amount, HK$169.2 million consisted of internal sales (some 60 per cent of the total business), while the value of its sales to external customers was HK$103.1 million, a decrease of 10.9 per cent on the previous year's figure of HK$115.7 million.

The Division's business was mainly driven by intense competition in the market from China printers, which meant that it had to compete largely on the basis of quality, benefiting from a steady stream of high-end clients in Hong Kong, North America, Europe and Australasia. The Group continues to believe that it will receive a stable flow of revenue from commercial printing operations in the future.

Internet Division

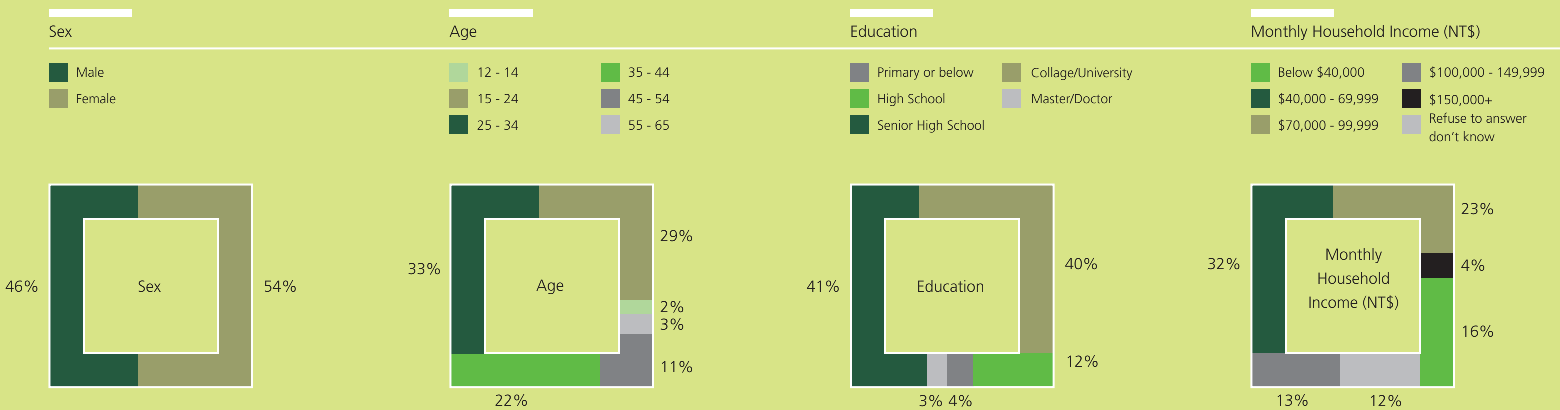
The Group's Internet Division offers an economical and convenient route for local and overseas readers to access online editions of their preferred Next Media publications.

During 2006/07, the Division's revenue increased to HK$31.3 million, a rise of 7.2 per cent over the previous year's figure of HK$29.2 million. Its segment profit dropped by 10.5 per cent, from HK$13.3 million to HK$11.9 million.

The Division's earnings derived from subscription fees, advertising revenue and content licensing. The Group believes that profits will continue to accrue from subscriptions, selling advertising space on the Internet and selling content to libraries etc.

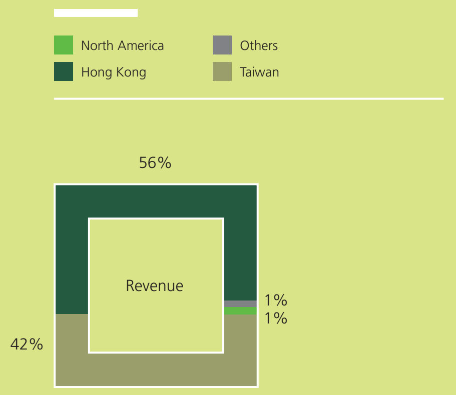
Increasing numbers of advertisers now use online media as a significant marketing tool. The Group remains cautiously optimistic that it will be able to derive benefit from this demand, and is devoting more resources to its exploitation in the future.

Readership Profile of *Taiwan Next Magazine*



Source: ACNielsen (Taiwan) Limited

Revenue



Financial Review

Consolidated Financial Results

Turnover

The Group recorded a total turnover of HK$3,245.2 million during the year ended 31 March 2007, representing 2.3 per cent or HK$76.8 million less than the figure of HK$3,322.0 million achieved in the last financial year. This was primarily attributable to the decrease in turnover of HK$69.1 million of the Group's Books and Magazines Publication Division, which accounted for HK$833.0 million or 25.7 per cent of the total turnover of the year.

In terms of geographical markets, Hong Kong remained the Group's bedrock, and its biggest source of revenue, accounting for HK$1,817.2 million or 56.0 per cent of its total turnover in this financial year.

The turnover the Group derived from Taiwan increased slightly in this year, 8.2 per cent increase from HK$1,250.8 million to HK$1,353.3 million. Taiwan is now the Group's second-largest revenue earner, accounting for 41.7 per cent of the total, 4.0 per cent up from the previous year.

In operational terms, newspaper publication and printing remained the Group's principal revenue source. The Newspapers Publication and Printing Division contributed HK$2,277.7 million or 70.2 per cent of its total turnover. This was an increase of HK$2.7 million or 0.1 per cent on the figure of HK$2,275.0 million for the previous financial year.

The Books and Magazines Publication Division also performed steadily by generating HK$833.0 million or 25.7 per cent of the Group's total turnover. Meanwhile, the Internet Division contributed HK$31.3 million or 1.0 per cent of the total. These represented a decrease of 7.7 per cent and an increase of 7.2 per cent on their respective turnovers of HK$902.1 million and HK$29.2 million during the previous financial year.

EBITDA and Segment Results

The Group's Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) and before impairment loss in respect of intangible assets for the year ended 31 March 2007 amounted to HK$583.4 million. This represented a decrease of HK$136.9 million over the figure of HK$720.3 million achieved during the last financial year. The segmental result of Books and Magazines Publication and Printing Division declined from HK$170.6 million to HK$80.7 million, a drop of HK$89.9 million.

The Group recorded a segment profit of HK$402.5 million during the year under review, representing a drop of 18.9 per cent as compared to the segment profit of HK$496.0 million reported in last financial year.

The segment profit of the Group's Newspapers Publication and Printing Division during the 2006/07 financial year amounted to HK$309.9 million, representing a 0.7 per cent decrease over the previous year's figure of HK$312.1 million.

The Group's Books and Magazines Publication Division recorded a segment profit of HK$46.3 million, representing a decrease of 59.8 per cent on the previous year's figure of HK$115.1 million.

Operating Expenses

The Group's operating expenses during the 2006/07 financial year totalled HK$2,831.6 million. This represented an increase of HK$24.9 million or 0.9 per cent compared to the previous year's figure of HK$2,806.7 million. Of this amount, HK$2,029.0 million or 71.7 per cent was attributable to essential production costs, including paper. Personnel costs (excluding direct production staff costs) accounted for HK$385.6 million or 13.6 per cent of the total operating expenses. This represented an increase of HK$16.8 million or 4.6 per cent over the previous year's figures of HK$368.8 million. Another major contributing factor to the Group's operating expenses was the depreciation of property, plant and equipment and release of prepaid lease payments, which accounted for HK$158.4 million or 5.6 per cent of the total amount.

Taxation

During the year ended 31 March 2007, the taxes levied on the Group amounted to HK$71.2 million, a decrease of 4.4 per cent compared to the previous year's figure of HK$74.5 million. The difference was mainly due to an additional deferred tax of HK$5.5 million credited to the consolidated income statement for the 2006/07 financial year.

Financial Position

Current Assets and Current Liabilities

As at 31 March 2007, the Group held HK$1,648.9 million in current assets, an increase of 11.0 per cent over the figure of HK$1,485.1 million in the last year. The Group's total liabilities on the same date were HK$1,244.6 million. This represented an increase of 14.7 per cent on the figure of HK$1,085.2 million a year earlier. The Group's bank balances and cash including restricted bank balances totalled HK$867.7 million as at 31 March 2007. The current ratio as at 31 March 2007 was 259.5 per cent, a decrease of 0.4 per cent, compared to the ratio of 260.6 per cent on the same date in 2006.

Accounts Receivable

As at 31 March 2007, the Group's accounts receivable totalled HK$510.4 million, an increase of 1.8 per cent over the figure of HK$501.4 million in last financial year. The average turnover days for the Group's accounts receivable as at 31 March 2007 was 56.9 days, compared to 52.1 days on the same date of the previous year.

Accounts Payable

As at 31 March 2007, the Group's accounts payable amounted to HK$150.1 million. This was 0.7 per cent less than the figure of HK$151.2 million on the same date of the previous financial year. The average turnover days for its accounts payable was 45.5 days, compared to 38.3 days on the same date of the previous year.

Long-term and Short-term Borrowings

As at 31 March 2007, the Group's long-term borrowings, including current portions, totalled HK$412.5 million. This represented an increase of 58.4 per cent on the figure of HK$260.4 million on the same date of the previous financial year. As at 31 March 2007, the current portion of the Group's long-term borrowings stood at HK$127.2 million, an increase of 59.8 per cent measured against the figure of HK$79.6 million a year earlier.

Borrowings and Gearing

The Group's primary source of financing for its operations during the 2006/07 financial year was the cash flow generated by its operating activities and – to a lesser extent – banking facilities provided by its principal bankers.

During the year, its available banking facilities totalled HK$621.2 million, of which HK$422.3 million had been utilised. There was no seasonality in the Group's bank borrowing requirements, and all the monies borrowed bear interest at floating rates.

All the Group's bank borrowings during the year were denominated in Hong Kong and New Taiwanese dollars. As at 31 March 2007, the Group's total bank balances including restricted bank balances and cash on hand amounted to HK$867.7 million. Its gearing ratio on the same date was 9.0 per cent, compared to 5.8 per cent a year earlier. The Group's gearing ratios are calculated by dividing long-term borrowings, including current portions, by total asset value.

Share Capital Structure

During the year, the Company issued 920,185,600 ordinary shares with a par value of HK$1.00 each ("Shares"). These were resulted from the exercise of certain share options by an option holder at an exercise price of HK$1.67 per Share and the conversion of 920,000,000 preference shares with a par value of HK$1.75 each into 920,000,000 Shares.

As at 31 March 2007, the Company's total issued share capital was HK$2,411.8 million. This figure was made up of 2,411,828,881 Shares with a par value of HK$1.00 each.

Cash Flow

The Group's net cash inflow from operating activities during the year ended 31 March 2007 amounted to HK$544.2 million, whereas its cash inflow from operating activities in last year was HK$559.7 million.

The outflow of investment-related cash during the 2006/07 financial year totalled HK$100.7 million. This figure represented an increase of 32.7 per cent on the total amount of HK$75.9 million during the previous financial year.

The Group's net cash outflow for financing activities during the year reached HK$251.5 million, compared to the preceding year's net cash outflow figure of HK$398.5 million. The 2006/07 figure mainly represented dividends paid in a total of HK$397.2 million, repayment of bank borrowings of HK$84.7 million and new borrowings raised amounting to HK$240.0 million.

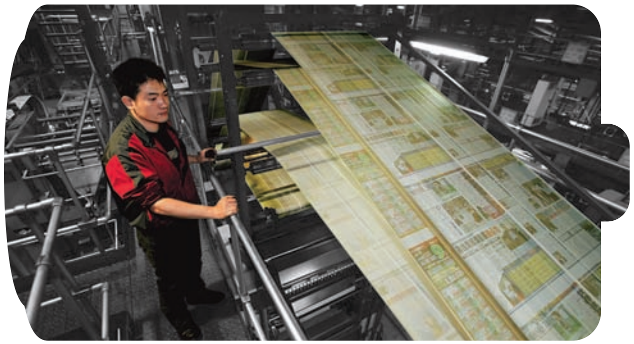
Exchange Rate Exposure and Capital Expenditure

The Group's assets and liabilities are mainly denominated in either Hong Kong dollars or New Taiwanese dollars. The Group continues to face exchange rate exposure due to its magazine and newspaper publishing operations in Taiwan. It intends to reduce such exposure by arranging bank loans in New Taiwanese dollars, as and when possible. As at 31 March 2007, the Group's net currency exposure stood at NT$4,737.0 million (the equivalent of HK$1,118.5 million) an increase of 33.1 per cent on the figure of NT$3,560.2 million (the equivalent of HK$850.9 million) a year earlier. The Group will continue to monitor its overall currency exposure, and will take steps to hedge further against such exposure if and when necessary.

The Group's capital expenditure for the 2006/07 financial year totalled HK$142.4 million, of which HK$115.7 million was used to fund its operations in Taiwan. By the year-end, it had committed to further capital expenditure of HK$8.9 million on its operations, of which HK$1.8 million was to fund its operations in Taiwan.

Pledge of Assets

As at 31 March 2007, Next Media had pledged certain elements of the Group's Hong Kong and Taiwanese property portfolio and printing equipment to various banks as security for bank loans and general banking facilities granted to the Group. The aggregate net book value of these assets was HK$981.9 million.



Contingent Liabilities

During the year under review, Next Media incurred contingent liabilities arising as a result of a number of litigation proceedings in Hong Kong and Taiwan. Such proceedings are an occupational hazard for those involved in the publishing business. The Group was also involved in a dispute with UDL Contracting Limited regarding amounts payable for the construction of a printing facility for a subsidiary, Apple Daily Printing Limited. As this dispute is now under arbitration, the final outcome of the proceedings remains uncertain. UDL Contracting Limited has recently filed a separate legal action with the High Court against Apple Daily Printing Limited and Mr. Lai Chee Ying, Jimmy ("Mr. Lai") in respect of the above claim.

When Next Media acquired Database Gateway Limited in October 2001 (the "Acquisition"), Mr. Lai agreed to provide unlimited personal indemnities (the "Indemnity") to the Group. This Indemnity will help safeguard the Group against all payments, claims, suits, damages and settlement payments and associated costs and expenses arising as a result of certain legal proceedings (including the dispute with UDL Contracting Limited) involving the businesses acquired through the Acquisition. Mr. Lai has subsequently procured a bank guarantee of HK$60.0 million in favour of Next Media in respect of his obligations under the Indemnity.

Having carefully considered the advice of the Group's legal counsel and the Indemnity given by Mr. Lai, Next Media's Directors are of the opinion that any ultimate liability arising from these proceedings will have no material impact on the Group's financial position.

Next Media also maintains contingent liabilities that are related to various corporate guarantees the Company has provided to financial institutions for facilities utilised by certain of its subsidiaries. As at 31 March 2007, these contingent liabilities stood at HK$70.3 million.

Impairment Loss in respect of Intangible Assets

In light of the current accounting standards, particularly, HKAS 38 in respect of the valuation of intangible assets, the Board appointed an independent professional valuer to conduct a valuation of the Group's masthead and publishing rights as at 31 March 2007 based on the value-in-use approach.

According to the valuation report, the value of the Group's masthead and publishing rights as at 31 March 2007 was HK$2,119.9 million (31 March 2006: HK$1,525.5 million, excluding masthead and publishing rights of *Easy Finder* of HK$15.5 million) against the corresponding net book value of HK$1,300.9 million as at 31 March 2007 (31 March 2006: HK$1,300.9 million after an impairment loss of HK$45.0 million for *Easy Finder*). Accordingly, a net revaluation surplus of HK$819.0 million as at 31 March 2007 (31 March 2006: HK$195.1 million) arose on a Group basis, which comprised a revaluation surplus of HK$832.7 million as at 31 March 2007 (31 March 2006: HK$224.6 million) and a revaluation deficit of HK$13.7 million as at 31 March 2007 (31 March 2006: HK$29.5 million) calculated on an individual masthead basis.

In regard to the revaluation deficit for that masthead and publishing right, the Directors considered that as its carrying value exceeded the estimated recoverable amount and such impairment of HK$13.7 million was temporary in nature, no impairment loss should be recognised in the consolidated income statement for the year ended 31 March 2007 (for the year ended 31 March 2006: HK$45.0 million was recognised).

No adjustment was made to the Group's financial statements for those masthead and publishing rights with revaluation surplus amounting to HK$832.7 million as at 31 March 2007 (31 March 2006: HK$224.6 million), as the Group's accounting policy is to state these intangible assets at cost less accumulated amortisation and accumulated impairment loss.

Prospects and Outlook

The Path Ahead

Next Media continues to be Hong Kong's largest Chinese-language print media publisher. Each of the titles in the Group's portfolio – *Apple Daily*, *Next Magazine*, *Easy Finder Bundle*, and *Sudden Weekly Bundle* – have retained a leading position in their respective markets, despite fierce competition and the challenge of online media formats. The Group is convinced that these titles will be steady drivers of income in the coming years, and that their advertising revenues will grow in line with the progressive development of the Hong Kong economy. The Group aims to support this steady growth with a renewed focus on costs, productivity and efficiency.

Meanwhile, Taiwan's economy is forecast to show further improvement in the run-up to the presidential elections and following the credit card squeeze. The Group maintains its high confidence in the success of its Taiwan operation, which is predicted to contribute an increasingly larger percentage of revenue to its future income. This belief is founded on Taiwan's political and economic stability, as well as the ongoing successes of *Taiwan Next Magazine* and *Taiwan Apple Daily*, both of which continue to build on their leadership status in the island's print media industry.

The Group believes that since the market for both newspapers and magazines is still underdeveloped in Taiwan, there is still a good deal of potential to be exploited from its already successful publications there. In order to sharpening its competitive edge and bolstering its brand in Taiwan, the Group launched the free *Sharp Daily* in October 2006.

Dividends

The Directors recommend the payment of a final dividend of HK8.5 cents (2006: HK18 cents) and a special dividend of HK9 cents (2006: HK25 cents) per Share to the shareholders whose names appear on the register of members on Monday, 30 July 2007, which together with the interim dividend per Share will amount to a total of HK21.5 cents per Share (the interim, final and special dividends for 2006: HK48 cents). The proposed final and special dividends, if approved by the shareholders at the forthcoming annual general meeting to be held on Monday, 30 July 2007, will be paid on Friday, 10 August 2007.

Book Close Period

The Register of Members of the Company will be closed from Thursday, 26 July 2007 to Monday, 30 July 2007, both days inclusive, during which period no transfer of Shares will be effected. All transfers of Shares accompanied by relevant Share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:00 p.m. on Wednesday, 25 July 2007 so as to qualify for the final and special dividends. Dividend warrants will be despatched on or around Friday, 10 August 2007.

Forward-looking Statements

This document contains several statements that are "forward-looking", or which use various "forward-looking" terminologies. Such statements are based on the current beliefs, assumptions, expectations and projections of the Directors regarding the industry and markets in which the Group is active. Readers are reminded that such statements are subject to risks, uncertainties and other factors that are beyond the Group's control.

Group Commitments

As a responsible corporate citizen, Next Media is dedicated to enhancing transparency to investors, helping the less fortunate and contributing to the wellbeing of society, playing a meritorious role in the business community and being a distinguished employer in the media industry.

Enhancing Transparency to Investors

As the largest Chinese-language print media company in Hong Kong, Next Media believes that delivering the latest, most complete and accurate information to our readers is the Group's ongoing mission. This mission is also reflected in our commitment to enhancing transparency to our investors.

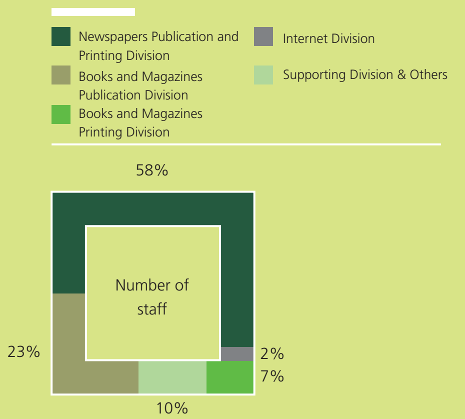
During the year under review, the Group continued to improve communications with investors by actively involving senior management in briefings, meetings and company visits with various interested parties, including research analysts and institutional investors.

At the same time, all relevant corporate information continued to be made easily accessible to those interested to know. The main channel for providing this information was the regularly updated and comprehensive archive of the Group's interim and annual reports, public announcements and press releases at its website, *http://www.nextmedia.com*.

A Distinguished Employer in the Media Industry

Next Media is committed to delivering to our readers precise and up-to-the minute news that occurs at any time and anywhere in the world. This is a special responsibility that requires unstinting efforts and professionalism from our team members.

Number of staff as at 31 March 2007



As at 31 March 2007, Next Media employed a total of 3,499 people in Hong Kong, Taiwan and Canada. Of this workforce, the frontline journalists and photographers are just the tip of the iceberg. Thousands of backroom staff work around the clock to ensure that articles and photographs reach our readers in time.

Being a responsible and distinguished employer, Next Media aims to recruit and retain the best and brightest talents in the industry. We have always been an equal opportunities employer. Our recruitment policy is non-discriminatory; staff members are appointed purely on the basis of their relevant skills and experiences. Moreover, we treat our staff members with respect and reward them fairly for their hard work, enthusiasm and skills, as well as their adherence to the Group's strict ethical standards.

To maintain the highest quality of team members, staff remuneration packages are reviewed annually in the light of individual employee's responsibilities and the Group's business performance, together with internal benchmarks and prevailing market practices and conditions.

Employees are rewarded on the basis of their performance. Performance-related variable pay such as special year-end bonuses and a profit-sharing scheme are provided to team members who have made exceptional contributions to the Group. In addition, special educational subsidies are available to those who wish to obtain professional or career-related qualifications.

Next Media believes in caring for employees both during the workday and out of office hours. In addition to insurance and medical coverage and maternity and paternity leave, we provide retirement and mandatory provident fund schemes. To motivate our staff to generate extra value for shareholders, the Group and two of its subsidiaries also operate discretionary share option schemes.

During the year under review, Next Media's total staff-related costs, including retirement benefits, totalled HK$1,058.1 million, an increase of 6.7 percent on the previous year's figure of HK$991.7 million.

Another pillar of Next Media's human resources philosophy is that team members are more productive if they feel they are valued. To this end, the Group offers a pleasant and professional workplace, as well as a range of leisure facilities, including a cafeteria, an open-air BBQ area, and a superbly equipped fitness centre with a swimming pool and a multi-function athletic court. Although such facilities are expensive to maintain, we believe they provide an invaluable means of enhancing our employees' sense of belongings and solidarity as well as fostering their physical and mental wellbeing.

"Next Media is highly conscious of the support we have long received from shareholders, readers, advertisers and employees in both Hong Kong and Taiwan. As such, we consider our commitment to transparency and social responsibilities an essential way for us to enhance shareholders' value and sustain economic development."

During the 2006/07 financial year, Next Media organised a series of staff activities, including:

- Various legal seminars;
- Weekly Yoga classes;
- Weekly Tai-chi classes;
- An open day on 2 August 2006 for staff family members to enjoy all the facilities at Next Media;
- A Christmas party on 15 December 2006;
- An outing with barbecue at the Lady MacLehose Holiday Village for staff members and their relatives and friends on 25 March 2007.

This people-centred approach has earned Next Media an enviable reputation as a preferred employer of choice in the media industry. Next Media is not just offering employees a career choice but a dynamic environment in which the brightest talents can pursue their personal goals while raising their awareness of issues that directly influence everyone in the community.

Contributing to the Wellbeing of Society

The primary duty of every media company is to inform, educate and entertain the public. Next Media has never shirked this task, and we have gained a strong reputation over the years for fearlessly reporting the facts – including stories that some would rather keep unpublished. Even so, Next Media sees truthful and balanced journalism as just one of our roles. We simultaneously strive to be a good corporate citizen that creates considerable benefits for all the communities in which we do business.

In 1995, the Apple Daily Charitable Foundation (the "Foundation") was established in Hong Kong with the principal objective of assisting less-privileged members of society through direct financial support or through sponsorship of various social service programmes. The Foundation has two committees, the Charitable Fund Committee and the Educational Fund Committee. In 1997, we launched the "Apple Bursaries Scheme" with the aim of providing direct financial support to needy students.

Following the establishment of *Taiwan Apple Daily* in May 2003, a similar foundation, the "Apple Daily Foundation", was established in Taiwan with an initial contribution of NT$15.0 million from *Taiwan Apple Daily*.

Christmas party held for the disadvantaged children in December 2006.

During the 2006/07 financial year, the Foundation distributed a total of HK$3.2 million in support of 89 social service projects for disadvantaged groups in society. Meanwhile, the "Apple Bursaries Scheme" gave bursaries totalling HK$3.4 million to assist 800 primary and secondary school students.

In addition to running a regular editorial column that appeals for donations from readers, *Apple Daily* donates 1 per cent of profits to the Foundation on a monthly basis. The paper also frequently devotes pages to promoting the good works and charitable activities organised by the Foundation. In the fourth quarter of 2006, the Foundation launched a quarterly newsletter publicising its charitable activities over the past few months. In order to further developing connections with voluntary organisations and to work more closely with the less fortunate in the community, we distributed the newsletter through the networks of "The Hong Kong Council of Social Services".

The Group's community commitments are based on the philosophy "Take it from society! Use it to benefit society!". In the 2006/07 financial year, this philosophy was reflected in the following programmes:

- A designated fund named "Dreams Come True" was established to collect donations from the public in order to help children from low-income families and the disabled to pursue their dreams. This fund received vast support from readers and various activities, such as visits to Hong Kong Disneyland and Hong Kong World Carnival, were organised.
- A medical assistance fund was established in December 2006 for a fifteen-year-old girl - Fong Ka Man - who suffered from leukaemia and needed an urgent transplant of bone marrow. The fund helped to raise more than HK$310,000, and after appropriate medical treatment, the girl's situation became stable.
- A programme called "Bring the warm to the Elderly – 2006/07" was co-organised by the Foundation and voluntary organisations in December 2006 to distribute food packages and winter clothes to 6,000 old people through volunteers. The Foundation donated HK$600,000 for this activity.

Next Media and its employees also supported the following fund raising activities for charities during the 2006/07 financial year:

- ORBIS Hong Kong's raffle tickets sale in February 2007; and
- World Vision Hong Kong's "Skip-a-meal/Join Famine Activities" in March 2007.

Next Media has an unstinting and longstanding commitment to our readers and the communities in which we operate. In the future, we will continue to adhere to our philosophy of supporting the disadvantaged groups in society.

Playing a Meritorious Role in the Business Community

Next Media recognises that caring for the environment is an important part of our responsibility to society. We address this concern both through our own operations and through our relationships with suppliers, customers and the wider community.

Fong Ka Man, a 15 years old girl, who suffered from leukaemia and needed an urgent transplant of bone marrow.

Next Media endeavours to ensure that all the materials we use and every aspect of our operations are as environmentally friendly as possible and we take action to minimise any negative impacts of our business. Apart from focusing on price levels, turnover days and quality of products, our purchasing policies demand the highest environmental standards from our suppliers.

In 2006/07, Next Media used 169,500 metric tonnes of newsprint for our newspapers plus another 20,200 metric tonnes of paper for our magazines. The suppliers of this newsprint were reputable major manufacturers in the USA, Norway, Sweden and Finland, all of which adhere strictly to manufacturing processes that minimise impacts on the environment and comply with the ISO14000 Environmental Management System Standard.

In addition, the Group consumed approximately 2,200 tonnes of printing ink for newspapers and 2,077 tonnes for magazines in the year under review. The ink is organic, being a composite of resin and vegetable oil that complies with environmental conservation objectives. The manufacturer is also compliant with the ISO14000 and 14001 Environmental Management System Standard as well as the ISO 9001 Quality Management System Standard; its products are recognised in international treaties on environmental protection.

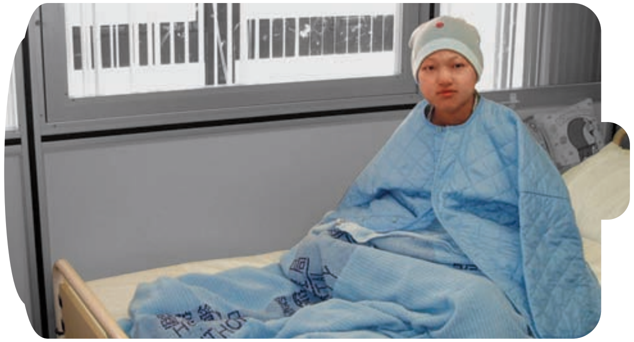
Next Media has implemented environmental monitoring and review systems in all production processes by adopting a range of strategies designed to reduce pollution through efficient technical support. Employees are trained to minimise waste, environmental damage and noise.

Emission-control systems have been installed in all printing plants to reduce VOC emission levels from printing ink by 90 per cent. All plants also have a comprehensive sewage processing system that fully complies with the statutory requirements in Hong Kong. Dedicated disposal bins have been installed for chemical wastes. All solid wastes, pulp and paper waste, chemical waste and recyclable materials are properly categorised, then collected and handled by a contractor acceptable to the Environmental Protection Department. Wastepaper is processed by dedicated recycling companies.

In addition, the Group has installed energy-saving lighting systems, which help to reduce annual electricity consumption, and uses environmentally friendly cleansing agents. We also continually monitor the use of resources and encourage the adoption of recycled or environmentally responsible materials.

Achievements for the Year

The Group deeply appreciates the contribution that every employee makes towards our success. Last year, our team members' hard work, energy and resourcefulness continued to earn high praise from the industry.



Fong's conditions have stabled upon receiving proper treatment.

Apple Daily

1. SOPA 2006 Awards for Editorial Excellence organised by The Society of Publishers
   - Excellence in Newspaper Design - Winner
   - Excellence in Editorial Cartooning - Winner
   - Excellence in Reporting of Breaking News – Honourable Mention

2. The 11th Annual Human Rights Press Awards 2006 co-organised by Amnesty International Hong Kong, the Foreign Correspondents' Club Hong Kong and Hong Kong Journalists Association
   - Merit Award (Chinese Cartoons)
   - Merit Award (Photojournalism)

3. The Fourth Media Award on Tongzhi Coverage Award organised by Chi Heng Foundation and Hong Kong Journalists Association
   - Merit Award (News Reporting)

4. Consumer Rights Reporting Awards 2006 organised by the Consumer Council Hong Kong
   - Golden Award and Merit Award (News Category)

2005/06 Annual Report

5. Best Annual Reports Awards organised by The Hong Kong Management Association
   - Citation for Achievement in Design Award (General Category)

6. IR Magazine Hong Kong and Taiwan Awards 2006
   - Best Annual Report and Other Corporate Literature – Honourable Mention

Taiwan Apple Daily

7. SOPA 2006 Awards for Editorial Excellence organised by The Society of Publishers
   - Excellence in Newspaper Design – Honourable Mention

8. The 32nd Mr. Tsang Hui Pai Journal Awards organised by Mr. Tsang Hui Pai Journal Awards Foundation
   - News Reporting Award and Photographic Award

Eat & Travel Weekly

9. The Fourth Media Award on Tongzhi Coverage Award organized by Chi Heng Foundation and Hong Kong Journalists Association
   - Outstanding Award (Special Topic Reporting)

Corporate Governance

The Board of Next Media strongly believes that good corporate governance practices can strengthen the protection of shareholders' rights, maintain the effectiveness of the Board and enhance transparency of the Company's business and performance. Therefore, pursuing best corporate governance practices has always been of the highest priority to the Company.

Board of Directors

The Board

The Board is in charge of overseeing the management of the Group and formulating strategic policies. The duties of the Board include:

1. establishing the strategic directions of the Group in order to deliver sustainable long-term value to shareholders;
2. leading and guiding the management in accordance with the strategies and directions of the Group;
3. monitoring the performance of the management and conduct of business;
4. ensuring the soundness of the internal control system for risk management; and
5. approving all major financial decisions and other significant issues of the Group.

Board Composition

The Board comprises four Executive Directors and three Independent Non-executive Directors ("INEDs"). Mr. Lai Chi Ying, Jimmy ("Mr. Lai"), the Chairman, Mr. Ting Ka Yu, Stephen who is also the Chief Executive Officer ("CEO") of the Group, Mr. Ip Yut Kin and Mr. Tung Chuen Cheuk are all Executive Directors. Mr. Yeh V-Nee, Mr. Fok Kwong Hang, Terry, and Dr. Kao Kuen, Charles are INEDs.

Each of the three INEDs has provided the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with written confirmation in respect of the factors set out in Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") concerning his independence. The Company considered that all three INEDs are independent, and that no family, material or other relevant relationship exists between any of the Directors in question.

Members of the Board possess a variety of business and financial expertise that is essential for the effective governance of a company involved in the media industry. Biographies of the Directors and their respective roles in the Board's committees are set out in the section headed "Directors and Senior Management" of this annual report, and on Next Media's website at *http://www.nextmedia.com* .

Chairman and CEO

The role of the Chairman and the CEO are segregated with a clear division of responsibilities. Mr. Lai, the Chairman, determines the strategic direction of the Group in consultation with the full Board, and is responsible for macro oversight of the management in compliance with the mission and vision of the Group. Mr. Ting Ka Yu, Stephen, who has been appointed as CEO of the Group effective from 15 January 2007, with the support from the Executive Directors, is responsible for implementation of the strategies and objectives set out by the Board and takes charge of the day-to-day management and operations of the Group. He also takes leadership of the management team to ensure that Next Media is operated in accordance with its strategies.

The management team consisting of Executive Directors and members of the senior management is responsible for implementing the strategic directions of the Group; setting the objectives and monitoring the performance of the business units and ensuring effective control on risk management.

Appointment, Re-election and Removal

The Directors are subject to the retirement and re-election provisions contained in Next Media's Articles of Association. The Articles of Association state that Directors appointed to fill casual vacancies shall only hold office until the next Annual General Meeting ("AGM"), and shall be eligible for re-election. Other than Directors appointed to fill casual vacancies that may arise during any given year, one-third of all Directors are required to retire on a rotation basis at each AGM and they are eligible for re-election. In view of the current Board's size, each Director has an average term of office of three years. All three INEDs of the Company have been appointed for a specific term of two years and their term of appointment has recently been renewed for a further two years up to 31 March 2009.

Responsibilities

Each member of the Board is aware of his responsibilities and duties and has acted in good faith in managing the affairs of the Group effectively and responsibly.

The Directors acknowledge their responsibility for preparing financial statements that give a true and fair view of the state of affairs of the Group. The Directors review and approve appropriate accounting policies recommended by the management, Audit Committee and professional bodies when preparing the financial statements for each financial year. They apply the same standards consistently in demonstrating the quantified operational performance and in exercising relevant judgment.

The Directors are empowered with all the sufficient resources that are deemed necessary to carry out their duties to the best of their abilities. They can access the advice and services of the Company Secretary, and they are given full and timely access to all information relevant to Next Media's operations. If the need arises, Directors may also seek independent professional advice about the performance of their duties at the Company's expense in accordance with the "Procedures for Directors to seek Independent Professional Advice" as adopted by the Board.

The Company has a policy of providing all newly appointed Directors with a comprehensive, formal and tailored induction to the Company. The Company will also provide refresher seminars to all Directors as and when necessary, to ensure that their skill sets and knowledge remain consistent with all relevant legal and regulatory requirements. The Company Secretary from time to time provides updates to all Directors about the latest developments in terms of rules and regulations.

Directors and Officers of the Group are fully indemnified against all costs, charges, losses, expenses and liabilities incurred by them in discharging their duties. Next Media has arranged comprehensive Directors' and Officers' liabilities insurance coverage for such purposes, subject to the provisions of the Companies Ordinance and other applicable legislation.

Directors are reminded that they should give sufficient time and attention to the Company's affairs. Each Board member is required to make regular six-monthly disclosures to Next Media regarding the number and nature of offices they hold in other public companies or organisations. They are also required to declare all other significant commitments, including the identity of the relevant public company/ies or organisation/s. During the year under review, none of the Executive Directors held any directorship or office in any other public companies or organisations.

Board Activities

The Board and its Committees take action at regular meetings, at meetings held by conference call, or by written consent. The quorum for Board/Committee meetings shall be at least two Directors/Committee members. Regular Board meetings for reviewing and considering the Company's operations, financial results and other relevant matters identified by the Directors are held on a quarterly basis. Additional meetings may also be organised as and when circumstances demand them.

The Company Secretary ensures that proper procedures for the Board/Committee meetings are followed and that all the Directors/Committee members receive the meeting's materials in a timely manner. Members of the management are invited to attend the Board/Committee meetings in order to make presentations or answer questions when required.

The Directors are consulted about any matters proposed to be included in the agenda, and they are invited to include any additional matters in the agenda. The Directors are also requested to declare their direct or indirect interest, if any, in any matters or transactions to be considered at the Board meetings, and shall not vote nor be counted in the quorum as appropriate on any resolution of the Board if they are interested.

The Company Secretary prepares written resolutions or minutes and keeps records of matters discussed and decisions resolved at the Board/Committees meetings. Draft minutes/resolutions of the Board/Committees are sent to all Directors and the Committee members for comment within a reasonable time, generally within 14 days, after each Board/Committee meeting. Final versions of the minutes/ resolutions of the Board/Committees are placed on record within a reasonable time and available for inspection by the Directors and Committee members upon request.

During the year, four Board meetings were held and details of the Directors' attendances are set out in the following table:

Director	Number of Board meetings attended	Attendance rate
Mr. Lai	4/4	100%
Mr. Ting Ka Yu, Stephen	4/4	100%
Mr. Ip Yut Kin	4/4	100%
Mr. Tung Chuen Cheuk	3/4	75%
Mr. Yeh V-Nee	4/4	100%
Mr. Fok Kwong Hang, Terry	4/4	100%
Dr. Kao Kuen, Charles	4/4	100%

Delegation by the Board

The Board has established the following committees and a sub-committee, which have been granted the following clearly defined duties, powers and functions:

(i) A Committee comprising any two Executive Directors for the purpose of approving the issue and allotment of Shares pursuant to the exercise of share options under the Company's share option scheme;

(ii) An Audit Committee;

(iii) A Remuneration Committee; and

(iv) A Sub-committee made up of the financial heads of all major operating subsidiaries, the Company Secretary, the Financial Controller and the Deputy Chief Financial Officer, which reviews all possible connected transactions to be undertaken by the Group, and monitors the full disclosure of such transactions as required under the Listing Rules.

The committees and sub-committee are provided with sufficient resources to discharge their duties by seeking independent professional advice at the Company's expense, as and when necessary.

The Company has not established any nomination committee, due to the small size of the Board. The Board will carry out the proper procedure for selecting and recommending candidates for directorships as and when required.

Audit Committee

Audit Committee Structure and Membership

The Audit Committee was established in March 1999 with reference to "A Guide for the Formation of an Audit Committee" issued by The Hong Kong Society of Accountants (currently known as "The Hong Kong Institute of Certified Public Accountants"). On 15 March 2005, the Board adopted revised terms of reference for the Audit Committee, in order to ensure its continued full compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules (the "CG Code"). The Audit Committee's membership is comprised solely of INEDs, namely, Mr. Yeh V-Nee, Mr. Fok Kwong Hang, Terry, and Dr. Kao Kuen, Charles. None of them is, or has previously been, a member of the Company's current or previous external auditors. The Chairman of the Audit Committee is Mr. Yeh V-Nee, who possesses the professional qualifications and financial management expertise required under the Listing Rules.

Audit Committee Functions

The Audit Committee meets regularly, normally two times a year, with the external auditors and senior management to assist the Board in overseeing the Group's financial reporting, the appointment of auditors and their fees and the effectiveness of the internal control system. Full details of the Audit Committee's role and terms of reference are posted on Next Media's website at *http://www.nextmedia.com* .

Audit Committee Activities

During the year, the Audit Committee met three times, with the external auditors in the absence of the Executive Directors, to review the following matters before they were submitted to the Board for consideration:

- the Group's audited financial statements for the year ended 31 March 2006;
- the audit related and non-audit related service proposal for the year ended 31 March 2007 of the external auditors;
- the Group's interim financial statements for the six months ended 30 September 2006; and
- the proposals regarding the engagement of a professional firm to assist the Board in assessing the effectiveness of the internal control of the Company.

All members of the Audit Committee attended the three meetings. The Company's Deputy Chief Financial Officer and Financial Controller were also invited to attend these meetings to give a full account of the financial statements and answer queries from the Committee. Working closely with the external auditors, the Committee also reviewed the adequacy and effectiveness of Next Media's internal control measures. The Chairman of the Audit Committee reported to the Board on the work done by the Committee and highlighted any significant issues.

Relationship with External Auditors

The Audit Committee is charged with reviewing the external auditors' audit review report and ensuring that the management makes timely responses to all issues raised therein. In order to ensure the full independence of the external auditors, the Audit Committee also reviews all non-audit related services provided by the external auditors. During the year, the total fees paid and payable to the external auditors for non-audit related services amounted to HK$809,000. This sum included HK$409,000 for taxation services and HK$400,000 for the interim review of the financial statements for the six months ended 30 September 2006.

Remuneration Committee

Remuneration Committee Structure and Membership

The Remuneration Committee was established on 15 March 2005 with specific terms of reference that specify its authority and duties.

The Remuneration Committee currently comprises five members, the majority of which are INEDs. The members are Mr. Yeh V-Nee, Mr. Fok Kwong Hang, Terry, and Dr. Kao Kuen, Charles, all of whom are INEDs, as well as Mr. Ting Ka Yu, Stephen, and Mr. Tung Chuen Cheuk, both of whom are Executive Directors.

Remuneration Committee Functions

The Remuneration Committee is responsible for reviewing and developing all policies appertaining to the remuneration of the Company's Directors and senior management. The Remuneration Committee is also entrusted with making all recommendations in relation to such policies to the Board. Full details of the Remuneration Committee and its terms of reference can be found at: *http://www.nextmedia.com*.

The Remuneration Committee shall also ensure that no Director or any of his associates is involved in deciding his own remuneration. The Board has authority to approve any remuneration matters concerning the Directors and senior management that are brought before it, subject to recommendation from the Remuneration Committee and any shareholders' approval that may be required under the Listing Rules, the Company's Articles of Association and applicable legislation from time to time.

Remuneration Committee Activities

During the year under review, the Remuneration Committee reviewed the following matters and made recommendations to the Board:

- Renewal of the employment contract of Mr. Lai with a wholly-owned subsidiary of the Company for a term of three years commencing on 1 September 2006;
- Remuneration package of Mr. Ting Ka Yu, Stephen as CEO of the Group with effect from 15 January 2007;
- Director's fee of the Company for the year ended 31 March 2007 and the basis for determining the Director's fee for the year ending 31 March 2008;
- Senior executive incentive scheme for the year ending 31 March 2008; and
- Salary review of the Group with effect from 1 April 2007.

CG Code, Codes of Conduct and Internal Control

Compliance with the CG Code

During the year ended 31 March 2007, Next Media achieved full compliance with the applicable provisions of the CG Code with deviations from the following provisions:

CG Code provision A.2.1

Pursuant to A.2.1 of the CG Code, the roles of Chairman and CEO should be separate and should not be performed by the same individual.

Mr. Lai has assumed the role of Executive Chairman to lead the Executive Directors and management team to pursue the strategies and directions of the Group. In compliance with this provision, on 15 January 2007, Mr. Ting Ka Yu, Stephen has been appointed as CEO of the Group. The role and responsibilities of Mr. Lai, the Chairman and Mr. Ting Ka Yu, Stephen, CEO of the Group, are set out in the section headed "Chairman and CEO" of Corporate Governance.

CG Code provision E.1.2

Pursuant to CG Code provision E.1.2, the Chairman of the Board shall attend the Company's AGM.

Due to another business engagement, Mr. Lai was unable to attend the Company's AGM held on 19 July 2006. Mr. Ting Ka Yu, Stephen, an Executive Director who was present at the AGM, chaired the meeting in accordance with the provisions of the Company's Articles of Association. The Chairman of the Audit Committee, Mr. Yeh V-Nee, was also present.

Compliance with the Model Code on Directors' Securities Transactions

Next Media has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"). Following specific enquiries by the Company, all Directors have confirmed, that they have achieved full compliance with the required standards as laid down in the Model Code for the year ended 31 March 2007.

Specified officers and employees of the Company who, because of their offices, are likely to be in possession of unpublished price-sensitive information pertaining to Next Media or its activities are also subject to compliance with the Model Code.

Internal Codes of Conduct

Next Media has always done everything in its power to ensure and promote integrity and ethical behaviour at all times and in all areas of its operations. To this end, the Group has laid down a series of stringent codes of conduct governing potential conflicts of interests, declarations of interests, anti-corruption practices, data privacy, etc. All members of Next Media, including its employees, officers and Directors, are required to fully comply with these codes of conduct at all times. Such codes are subject to regular reviews and updates in order to ensure their continued compliance in line with changing circumstances and regulations.

Internal Control

Next Media holds regular monthly management meetings to review its financial performance and strategic planning objectives. In addition to the Executive Directors, these meetings are attended by senior officers and managers from the Company's Marketing, Sales, Operations, Editorial and Finance Departments.

The Board acknowledges its responsibility for establishing an effective internal control system. Stringent internal control policies and procedures aimed at preventing unauthorised use or misappropriation of the Company's assets have long been in place. These measures ensure that anyone who carries out transactions may only do so by following the proper procedures and with the approval and instruction of the management.

In compliance with provision C.2 of the CG Code and to further improve the effectiveness of the Group's internal control, the Board has engaged a professional firm to conduct a risk assessment and benchmark the Group against the COSO (The Committee of Sponsoring Organisations) internal control framework. The Group has conducted a review to assess the effectiveness of its internal control system covering the areas including financial, operational, compliance and risk management at the end of the year ended 31 March 2007. The findings and recommendations for control improvement have been reported to the Audit Committee and the Board.

Communications with Shareholders

AGM

Next Media has endeavoured to maintain an amicable and open relationship with its shareholders. The Company's AGM provides a forum at which the Board members and shareholders can meet to share opinions and ideas. At the AGM, shareholders are invited to direct questions to the Board. Those who are available to answer such questions include not only the Executive Directors but also the Chairmen of the respective committees, or in their absence, members of the committees.

Next Media's 2006 AGM took place on 19 July 2006. Mr. Lai, the Chairman, was unable to attend as he had another business engagement. All resolutions put forward to the shareholders were passed by way of poll vote. The results of each poll were published in the newspapers and posted on the Next Media's website *http://www.nextmedia.com* and the Stock Exchange's website.

Details of all polls, the voting procedures and shareholders' right to demand a poll, are included in the Company's circulars to shareholders. Questions on the procedures for convening or putting forward resolutions at an AGM or a general meeting may also be forwarded to the Company Secretary via the Company's designated investor relations e-mail account at *ir@nextmedia.com* or by mail to the Company's registered office address.

Investor Relations

The Board is well aware of the importance of communication between investors, shareholders and the Company. The Board ensures that its dissemination of details of major activities, price-sensitive information and transactions is fully compliant with the Listing Rules. The Company has a series of procedures to communicate with analysts and the media. These measures were developed to ensure full compliance with the Stock Exchange's guidelines regarding the disclosure of price-sensitive information. The Company has also carefully selected certain of its Executive Directors and members of the management to act as its representatives to meet with analysts and the media.

As a media company, Next Media remains determined to further enhance its transparency by making full use of all appropriate communications channels when sharing information with third parties. During the year, specific activities undertaken in this area included the publishing of corporate news via press releases and formal announcements, and the issuing of interim and annual reports. All such information is freely accessible to anyone with an Internet connection at *http://www.nextmedia.com*.

Shareholders and interested members of the public are welcome to communicate directly with Next Media by sending correspondence marked "for the attention of the Company Secretary" to the Company's registered office address, or via its designated investor relations e-mail account at: *ir@nextmedia.com*.

Directors and Senior Management

Executive Directors

Mr. Lai Chee Ying, **Jimmy**, **aged 58**, has been the Company's Chairman since 1999, and he is responsible for formulating the Group's corporate strategies. Prior to founding his publishing business in 1990, Mr. Lai had a distinguished 30-year career in the local garment industry, establishing and running the hugely successful Giordano manufacturing and retail chain. Mr. Lai entered the media industry by launching *Next Magazine* in March 1990, and he subsequently added several other popular titles to his stable of publications, including *Easy Finder* (September 1991), *Apple Daily* (June 1995), *Sudden Weekly* (August 1995), *Eat & Travel Weekly* (July 1997), *ME!* (December 2006) and *FACE* (May 2007). In recent years, Mr. Lai has extended the boundaries of the Group's operations from Hong Kong to Taiwan by launching *Taiwan Next Magazine* (May 2001), *Taiwan Apple Daily* (May 2003) and *Sharp Daily* (October 2006).

Mr. Ting Ka Yu, **Stephen**, **aged 48**, a Director of the Company since October 1999, is currently the Chief Executive Officer of the Group. Mr. Ting is responsible for implementation of the strategies of the Group and takes charge of its day-to-day management and operations. Prior to joining the Group in December 1997, Mr. Ting worked with a leading audit firm in both Hong Kong and Australia. He also held senior financial and management positions with a variety of leading companies and listed groups. The holder of a Bachelor of Economics degree from Macquarie University in Sydney, Australia, Mr. Ting is a member of the Institute of Chartered Accountants in Australia.

Mr. Ip Yut Kin, **aged 55**, a Director of the Company since November 2001, is currently the Chairman of *Taiwan Apple Daily* and *Taiwan Next Magazine*. Mr. Ip oversees the operations of the two publications. Prior to joining the Group, Mr. Ip worked with many leading Hong Kong newspapers during his long journalistic career, which has spanned more than 30 years. Mr. Ip is a graduate of the National Chengchi University of Taiwan with a Bachelor of Social Sciences (Journalism) degree.

Mr. Tung Chuen Cheuk, **aged 65**, is currently the Chairman of *Apple Daily*, and he has been a Director of the Company since June 2003. A graduate of Taiwan Provincial Cheng Kung University, Mr. Tung holds a Bachelor of Arts degree. His long and distinguished media career included spells with the BBC in London, *Reader's Digest* and *Ming Pao*.

Independent Non-executive Directors

Mr. Yeh V-Nee, **aged 48**, is a qualified US attorney-at-law, and he became a Director of the Company in January 2000. Following his graduation from Columbia University's School of Law in the USA, Mr. Yeh was admitted as a member of the California Bar Association in 1984. He is a co-founder of Value Partners Limited and Argyle Street Management Limited, and he sits on a number of prominent committees. These include the Takeovers & Mergers Panel, the Takeovers Appeals Committee and the SFC Dual Filing Advisory Group of the Securities & Futures Commission. Mr. Yeh is also the Chairman of Hsin Chong Construction Group Limited and of Argyle Street Management Limited, a US$500-million Asian distresses asset management firm.

Mr. Fok Kwong Hang, **Terry**, **aged 52**, has been a Director of the Company since June 2000. Mr. Fok holds both M.Sc. and MBA degrees from the University of Wisconsin, USA. He has over 20 years' experience in the securities industry, and he is currently the owner of T & F Equities Limited.

Dr. Kao Kuen, **Charles**, **aged 73**, became a Director of the Company in November 2003. He is the Chairman and Chief Executive Officer of ITX Services Limited, and he has sat on a number of advisory committees to the Government of the Hong Kong SAR. The pioneer of optical fibre communications, Dr. Kao holds a Ph.D. from the University of London and served as Vice Chancellor of the Chinese University of Hong Kong between October 1987 and July 1996. Over the years, Dr. Kao has won many prestigious international honours and awards. These include the Stewart Ballantine Medal, Rank Prize, L.M. Ericsson International Prize, Alexander Graham Bell Medal, Marconi International Fellowship, Faraday Medal of the IEE, Japan Prize and Charles Stark Draper Prize.

Senior Management

Mr. Tu Nien Chung, James, aged 55, has been the Publisher of *Taiwan Apple Daily* since March 2003. Mr. Tu graduated from National Taiwan University with a Bachelor of Arts degree. He also holds a Master's Degree in Political Science from Columbia University, USA. Mr. Tu has extensive experience in journalism, both in the United States and Taiwan.

Mr. Lei Heong Man, aged 47, joined the Group as Chief Financial Officer in 2007. He has over 18 years' experience in regional finance and operation management in multinational corporations and listed companies, and is a fellow member of the Chartered Association of Certified Accountants, and an associate of The Hong Kong Institute of Certified Public Accountants. He holds a bachelor degree in accountancy, finance and economics from University of Essex, and a MBA degree from The University of Wales, United Kingdom.

Mr. Chow Tat Kuen, Royston, aged 49, is currently the Deputy Chief Financial Officer of the Group and the Chief Operating Officer of Apple Daily Printing Limited and Paramount Printing Company Limited. Prior to joining the Group, he held senior management accounting positions with several leading financial institutions in Hong Kong and Australia. The holder of a Bachelor of Commerce in Accounting degree and a Master of Commerce in Finance degree from the University of New South Wales, Australia, Mr. Chow is also a member of the CPA Australia and The Hong Kong Institute of Certified Public Accountants.

Mr. Loo Cheung Ling, Alvis, aged 54, is currently the Chief Operating Officer of *Taiwan Apple Daily* and *Taiwan Next Magazine*. Mr. Loo has over 30 years' experience in pre-press, production and printing operations in the advertising and publishing industries. The many industry leaders who have benefited from Mr. Loo's expertise over the years include the *South China Morning Post*, Fortune (Far East) Limited and Emphasis (HK) Limited in Hong Kong, as well as The Arts House Design and Printing Group in Canada.

Mr. Peir Woei, aged 46, has been the Publisher of *Taiwan Next Magazine* since March 2005. Prior to joining *Taiwan Next Magazine*, Mr. Peir had more than 13 years of experience in journalism. He graduated from National Taiwan Ocean University with a Bachelor's degree in Marine Transportation.

Ms. Wong Shuk Ha, Cat, aged 41, is currently the Company Secretary of the Group. Prior to joining the Group, she worked with various listed companies on corporate compliance and corporate finance. She holds a Bachelor of Arts degree in Accountancy from The City University of Hong Kong, a Bachelor of Laws degree from the University of London, and a Master's degree in Management from the Macquarie University in Sydney, Australia. Ms. Wong is an associate member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

Corporate Information

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

*Independent Non-executive Directors

Authorised Representatives
Ting Ka Yu, Stephen
Tung Chuen Cheuk

Company Secretary
Wong Shuk Ha, Cat

Auditors
Deloitte Touche Tohmatsu

Principal Bankers
Standard Chartered Bank (Hong Kong) Limited
DBS Bank (Hong Kong) Limited
The Shanghai Commercial & Savings Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Sumitomo Mitsui Banking Corporation
Fortis Bank
China Construction Bank (Asia) Corporation Limited

Legal Advisors
Simmons & Simmons
Deacons

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

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

Shareholders' Enquiries
For additional information, please contact the Company Secretary by mail to the Company's registered office address or by fax at (852) 2247 4154 or by e-mail at ir@nextmedia.com

Website
http://www.nextmedia.com

Company Profile

Building success in Hong Kong and Taiwan

Since it launched *Next Magazine* in 1990 and *Apple Daily* in 1995, Next Media has become the largest Chinese-language print media publishing group in Hong Kong.

Readers know they can rely on Next Media publications for comprehensive, forthright and factual coverage of issues that have an impact on their lives. The journalists who work for the Group deliver the facts – without fear or favour, without prejudice, and without pandering to advertisers.

The Group's Hong Kong portfolio of publications has grown to include five other weekly magazines, plus a website. Their combined readerships, circulations and advertising revenues dominate the local media scene.

Next Media is committed to constantly seeking new ways to add value for its shareholders. In 2001, it launched *Taiwan Next Magazine*, followed by *Taiwan Apple Daily* in 2003. Using the same direct and informative journalistic style and lively layouts as their Hong Kong counterparts, but with 100 per cent local content, the two titles have seized leading positions in the island's weekly magazine and daily newspaper markets. In 2006, Next Media further developed its existing publications in Taiwan by launching *Sharp Daily*, the Group's first free daily newspaper, to capture younger readers and small local advertisers. In addition, a new Taiwan website "1-apple.com.tw" was launched in early 2007.

Corporate Structure

Newspapers Publication and Printing Business

Apple Daily
Taiwan Apple Daily
Sharp Daily
Newspaper Printing

Books and Magazines Publication Business

Next Magazine
Sudden Weekly
Eat & Travel Weekly
ME!
FACE
Taiwan Next Magazine

Books and Magazines Printing Business

Magazine Printing
Book, Calendar and Catalogue Printing

Internet Content Provision and Advertising Business

atNext Portal
1-apple.com.tw

Share Information

as at 31 March 2007

Shareholders of Ordinary Shares

Mr. Lai	74.06%
Directors other than Mr. Lai	0.75%
Others	25.19%

Authorised Share Capital

HK$4,600,000,000.00

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

Issued Share Capital

HK$2,411,828,881.00

Ordinary Shares	2,411,828,881 Shares at HK$1.00 each

Share Options for Ordinary Shares granted and unexpired

at an exercise price of HK$1.670 each	2,942,000 Option Shares
at an exercise price of HK$3.325 each	1,000,000 Option Shares
at an exercise price of HK$3.102 each	18,850,000 Option Shares
at an exercise price of HK$2.784 each	600,000 Option Shares
at an exercise price of HK$2.600 each	3,500,000 Option Shares
at an exercise price of HK$2.760 each	400,000 Option Shares

Market Capitalisation

at HK$2.69 per Ordinary Share (closing price on 30 March 2007)	HK$6.49 billion

Stock Code

The Stock Exchange of Hong Kong Limited Main Board	282

Board Lot

2,000 Ordinary Shares

Directors' Report

The Directors of the Company (the "Directors" or the "Board") present their report together with the audited consolidated financial statements for the year ended 31 March 2007 (the "Financial Statements").

Principal Activities and Analysis of Operations

The principal activity of the Company is investment holding. The activities of the Company's principal subsidiaries are set out in note 38 to the Financial Statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 8 to the Financial Statements. A discussion of the material factors underlying the Group's performance and its financial position are provided in the Operational Review and Financial Review on pages 17 to 32.

Results and Appropriations

The results of the Group for the year are set out in the consolidated income statement on page 65.

An interim dividend of HK4.0 cents per ordinary share, amounting to HK$96.5 million, were paid to the shareholders on 28 December 2006.

The Directors recommend the payment of a final dividend of HK8.5 cents (2006: HK 18 cents) and a special dividend of HK9 cents (2006: HK25 cents) per ordinary share to the shareholders whose names appear on the register of members on 30 July 2007, which together with the interim dividend per ordinary share will amount to a total of HK21.5 cents per ordinary share (the interim, final and special dividends for 2006: HK48 cents).

Property, Plant and Equipment

Details of the movements during the year in the property, plant and equipment of the Group and of the Company are set out in note 19 to the Financial Statements.

Five Years Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 124.

Share Capital

Details of the movements in share capital of the Company during the year are set out in note 30 to the Financial Statements.

Purchase, Sale or Redemption of Listed Shares

The Company has not redeemed any of its listed ordinary shares during the year. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed ordinary shares during the year.

Reserves

Details of the movements in the reserves of the Company during the year are set out in note 32 to the Financial Statements.

Distributable Reserves

As at 31 March 2007, distributable reserves of the Company, calculated under section 79B of the Hong Kong Companies Ordinance, amounted to HK$423,357,000 (2006 restated: HK$290,257,000).

Major Customers and Suppliers

The five largest customers of the Group accounted for 39.0% of the Group's turnover and the five largest suppliers of the Group accounted for 41.6% of the Group's total purchases for the year. The largest customer of the Group accounted for 31.8% of the Group's turnover and the largest supplier of the Group accounted for 18.5% of the Group's total purchases for the year.

None of the Directors, their associates or shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital), had an interest in any of the above mentioned suppliers and customers.

Donations

Donations for charitable and other purposes made by the Group during the year amounted to approximately HK$1,369,000 (2006: HK$2,353,000).

Share Options

(a) Share Option Scheme of the Company

The share option scheme adopted by the Company on 29 December 2000 (the "2000 Share Option Scheme") was amended to comply with the requirements of Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") on 31 July 2002. The limit of number of ordinary shares of HK$1.00 each of the Company (the "Shares") which may be issued upon exercise of all options to be granted was refreshed to 10% of the issued ordinary share capital of the Company as at 31 July 2002. Key terms of the 2000 Share Option Scheme are summarized below:

(i) The purpose of the 2000 Share Option Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its shareholders as a whole.

(ii) The participants include any full-time employees and Directors (including non-executive Directors and independent non-executive Directors) of the Company or any of its subsidiaries.

(iii) The total number of Shares issued and to be issued upon exercise of the options granted and to be granted to each participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue and any further grant of options in excess of such limit must be subject to separate shareholders' approval in general meeting with such participant and his associates abstaining from voting.

(iv) The option period under which the option must be exercised shall be such period as the Board may in its absolute discretion determine at the time of grant, provided that such period shall not expire later than 10 years from the adoption date of the 2000 Share Option Scheme.

(v) The period for which an option must be held before it can be exercised shall be determined by the Board at the time of grant.

(vi) An offer of share options may be accepted within 14 days from the date of offer, upon payment of HK$10.00 by way of consideration.

(vii) The exercise price shall be no less than the highest of: (i) the closing price of the Shares as stated in the daily quotations sheets issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of grant; (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange of the five business days immediately preceding the date of grant; and (iii) the nominal value of the Shares on the date of grant.

(viii) The total number of Shares which may be issued upon exercise of all further options to be granted is 81,416,117 which represents approximately 3.38% of the issued ordinary share capital of the Company as at the date of this annual report.

(ix) The 2000 Share Option Scheme will expire on 29 December 2010. The table below sets out movements in the share options under the 2000 Share Option Scheme during the year:

2000 Share Option Scheme

Name or category of participant	Date of grant	Exercise price per share	Exercisable period	Balance as at 1.4.2006	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Balance as at 31.3.2007
Directors									
Ting Ka Yu, Stephen	18.03.2002	HK$1.67	19.03.2003 – 28.12.2010	1,618,000	–	–	–	–	1,618,000
	25.01.2007	HK$2.60	26.01.2008 – 28.12.2010	–	3,500,000	–	–	–	3,500,000
Tung Chuen Cheuk	18.01.2006	HK$3.75	19.01.2007 – 28.12.2010	3,000,000	–	–	–	3,000,000	–
	06.12.2006	HK$3.102	07.12.2007 – 28.12.2010	–	3,000,000	–	–	–	3,000,000
Employees									
In aggregate	18.03.2002	HK$1.67	19.03.2003 – 28.12.2010	1,973,600	–	185,600	464,000	–	1,324,000
	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	–	–	500,000	5,600,000	–
	01.03.2006	HK$4.35	02.03.2007 – 28.12.2010	1,000,000	–	–	–	1,000,000	–
	26.06.2006	HK$4.20	27.06.2007 – 28.12.2010	–	1,000,000	–	–	1,000,000	–
	25.10.2006	HK$4.15	26.10.2007 – 28.12.2010	–	5,500,000	–	–	5,500,000	–
	06.12.2006	HK$3.102	07.12.2007 – 28.12.2010	–	15,850,000	–	1,000,000	–	14,850,000
	06.12.2006	HK$3.102	07.12.2007 – 28.12.2010	–	1,000,000	–	–	–	1,000,000
	08.01.2007	HK$2.784	09.01.2008 – 28.12.2010	–	600,000	–	–	–	600,000
	09.03.2007	HK$2.76	10.03.2008 – 28.12.2010	–	400,000	–	–	–	400,000
Total outstanding				14,691,600	30,850,000	185,600	1,964,000	16,100,000	27,292,000

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

The options granted under the 2000 Share Option Scheme (except the 1 million options granted on 6 December 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 1 million options granted under the 2000 Share Option Scheme on 6 December 2006 vest as follows:

(i) On 1st anniversary of the date of grant	20% vested
(ii) On 2nd anniversary of the date of grant	further 20% vested
(iii) On 3rd anniversary of the date of grant	further 20% vested
(iv) The seven-month period after the 3rd anniversary of the date of grant	remaining 40% vested

The Company has used the Binomial Model for assessing the fair value of the share options granted during the year ended 31 March 2007. It is an appropriate model to estimate the fair value of an option which can be exercised before the expiry of the option period. The assumptions in the calculation are:

Grant date	26 June 2006	25 October 2006	6 December 2006	8 January 2007	25 January 2007	9 March 2007
Expected volatility	40% pa	40% pa	40% pa	40% pa	40% pa	40% pa
Risk-free rate	4.65% pa	3.86% pa	3.56% pa	3.59% pa	3.88% pa	3.95% pa
Expected dividend yield	2% pa	2% pa	2% pa	2% pa	2% pa	2% pa
Sub optimal early exercise factor	1.5 times	2 times	2 times	2 times	2 times	2 times
Expected rate of post vesting withdrawal	5% pa	5% pa	5% pa	5% pa	5% pa	5% pa

According to the Binomial Model, the values of the respective options granted as at 31 March 2007 were as follows:

Date of Grant	No. of options granted	Value per option
26 June 2006	1,000,000	HK$1.2760
25 October 2006	5,500,000	HK$1.2853
6 December 2006	18,850,000	HK$0.9091
6 December 2006 (1 million options)	1,000,000	HK$0.9157
8 January 2007	600,000	HK$0.7868
25 January 2007	3,500,000	HK$0.7882
9 March 2007	400,000	HK$0.8292

An amount of HK$8,817,000 is recognised in the consolidated income statement for the year ended 31 March 2007 (2006: HK$1,540,000) in respect of the value of the options granted during the year. The Company considered that the options granted on 6 December 2006 to be replacement to the original options granted on 18 January 2006, 1 March 2006, 26 June 2006 and 25 October 2006, of options amounting to 8,600,000, 1,000,000, 1,000,000 and 5,500,000 respectively. For details please refer to note 31 to the Financial Statements.

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

(b) Share Option Schemes of subsidiaries

On 31 July 2002 (the "Adoption Date"), each of Apple Daily Publication Development Limited ("ADPDL") and Next Media Publishing Limited ("NMPL"), both are wholly-owned subsidiaries of the Company (each hereinafter referred to as "Subsidiary"), adopted a share option scheme (together the "Subsidiary Share Option Schemes"), which complied with the requirements under Chapter 17 of the Listing Rules. The key terms of the Subsidiary Share Option Schemes are summarized below:

(i) The purpose of the Subsidiary Share Option Schemes is to provide participants with the opportunity to acquire proprietary interests in the Subsidiary and to encourage participants to work towards enhancing the value of the Subsidiary and its shares for the benefit of the Subsidiary and its shareholders as a whole.

(ii) The participants of the Subsidiary Share Option Schemes include any of the full-time employees and Directors of the Subsidiary or any of its subsidiaries.

(iii) The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each participant (including both redeemed and outstanding options) in any 12-month period shall not exceed 1% of the shares in issue from time to time. Any further grant of options (including redeemed, cancelled and outstanding options) to a participant exceeding 1% of the shares in issue shall be subject to approval of the shareholders of the Subsidiary and for so long as the Subsidiary remains a subsidiary of the Company, the approval of the shareholders of the Company in advance with such participant and his associates abstaining from voting.

(iv) The option period under which the option must be exercised shall be such period as the board of Directors of the Subsidiary may in its absolute discretion determine, provided that the expiry of such period shall not be later than the date falling one month prior to the lodgement of an application of listing of the Subsidiary or its intermediate holding company or such company holding the business conducted or to be conducted by the Subsidiary and its subsidiaries on an internationally recognised stock exchange whether in Hong Kong or elsewhere (the "Listing") or the expiry of the ten-year period from the Adoption Date, whichever is earlier.

(v) The period for which an option must be held before it can be exercised shall be determined by the board of Directors of the Subsidiary.

(vi) An offer of share options may be accepted within 14 days from the date of offer, upon payment of HK$10.00 by way of consideration.

(vii) The exercise price shall be the higher of (i) such amount representing not more than four times the "Latest Earnings Per Share" as defined in the Subsidiary Share Option Schemes and (ii) the nominal value of a share of the Subsidiary. For any option granted during the period commencing six months before the lodgement of an application with the relevant stock exchange for the Listing and at any time thereafter, the subscription price of a share shall not be less than the higher of (i) the issue price of a share at the Listing; (ii) such amount representing not more than four times the "Latest Earnings Per Share" as defined in the Subsidiary Share Option Schemes and (iii) the nominal value of a share of the Subsidiary.

(viii) The number of shares which may be issued upon exercise of all options to be granted is 10% of the issued share capital of the Subsidiary on the Adoption Date (the "Scheme Mandate Limit"). Options lapsed in accordance with the terms of the Subsidiary Share Option Schemes shall not be counted for the purpose of calculating the Scheme Mandate Limit. However, the Scheme Mandate Limit may be refreshed at any time subject to prior shareholders' approval of the Subsidiary and for so long as the Subsidiary remains a subsidiary of the Company, the prior approval of the shareholders of the Company. On 28 July 2004, the shareholders of ADPDL and the shareholders of the Company approved to refresh the Scheme Mandate Limit of ADPDL up to a new 10% limit. As at the date of this annual report, the total number of shares which may be issued upon exercise of all further options to be granted under the Subsidiary Share Option Schemes of ADPDL and NMPL are 885,000 and 625,000 respectively, representing 8.85% and 6.25% of the issued share capital of ADPDL and NMPL. Please refer to below tables for movements in the share options during the year ended 31 March 2007.

(ix) The term of the Subsidiary Share Option Schemes will expire on the earlier of (a) the date of the Listing or (b) the tenth anniversary date of the Adoption Date, after which period no further options will be granted and no options shall be exercisable.

(x) In the event the relevant stock exchange prohibits the exercise of the option by the grantee at the exercise price set out above, or upon occurrence of certain circumstances as stipulated in the Subsidiary Share Option Schemes, before the Listing and subject to the participant having fulfilled the terms and conditions of the option, the Subsidiary shall redeem the option at a cash consideration being not more than five times the "Latest Earnings Per Share" as defined in the Subsidiary Share Option Schemes.

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

Apple Daily Publication Development Limited

Name or category of participant	No. of options at 01.04.06	No. of options granted during the year	Date of grant	Exercise price per share	Exercisable period	No. of options lapsed during the year	Outstanding as at 31.03.07
Directors							
Ting Ka Yu, Stephen	50,000	–	22.01.03	Refer to above (b)(vii)	Not yet determined	–	50,000
	25,000	–	26.03.03	Refer to above (b)(vii)	Not yet determined	–	25,000
	25,000	–	11.01.06	Refer to above (b)(vii)	Not yet determined	–	25,000
Ip Yut Kin	100,000	–	22.01.03	Refer to above (b)(vii)	Not yet determined	–	100,000
	50,000	–	26.01.04	Refer to above (b)(vii)	Not yet determined	–	50,000
	50,000	–	11.01.06	Refer to above (b)(vii)	Not yet determined	–	50,000
Tung Chuen Cheuk	50,000	–	26.03.03	Refer to above (b)(vii)	Not yet determined	–	50,000
Employees							
In aggregate	205,000	–	08.01.03	Refer to above (b)(vii)	Not yet determined	–	205,000
	50,000	–	26.03.03	Refer to above (b)(vii)	Not yet determined	–	50,000
	50,000	–	23.04.03	Refer to above (b)(vii)	Not yet determined	–	50,000
	25,000	–	05.11.03	Refer to above (b)(vii)	Not yet determined	–	25,000
	50,000	–	19.04.04	Refer to above (b)(vii)	Not yet determined	–	50,000
	40,000	–	28.12.05	Refer to above (b)(vii)	Not yet determined	–	40,000
In aggregate and total outstanding							770,000

Next Media Publishing Limited

Name or category of participant	No. of options at 01.04.06	No. of options granted during the year	Date of grant	Exercise price per share	Exercisable Period	No. of options lapsed during the year	Outstanding as at 31.03.07
Employees							
In aggregate	75,000	–	08.01.03	Refer to above (b)(vii)	Not yet determined	–	75,000
	100,000	–	12.01.04	Refer to above (b)(vii)	Not yet determined	–	100,000
	175,000	–	03.01.05	Refer to above (b)(vii)	Not yet determined	–	175,000
In aggregate and total outstanding							350,000

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

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 2007.

Details of the Company's share option scheme and the Subsidiary Share Option Schemes are also set out in note 31 to the Financial Statements.

Directors

The Directors during the year and up to the date of this report are:

Executive Directors:

Mr. Lai Chee Ying, Jimmy *(Chairman)* ("Mr. Lai")
Mr. Ting Ka Yu, Stephen
Mr. Ip Yut Kin
Mr. Tung Chuen Cheuk

Independent Non-executive Directors:

Mr. Yeh V-Nee
Mr. Fok Kwong Hang, Terry
Dr. Kao Kuen, Charles

In accordance with Articles 84 and 85 of the Company's Articles of Association, Mr. Lai, Mr. Tung Chuen Cheuk and Dr. Kao Kuen, Charles will retire at the forthcoming annual general meeting of the Company and being eligible, offer themselves for re-election.

Subject to the provision for retirement by rotation in Articles 84 and 85 of the Company's Articles of Association, each of the existing independent non-executive Directors has been appointed for a fixed term expiring on 31 March 2009.

The biographical details of the current Directors as at the date of this report are set out on pages 46 to 47. Details of Directors' emoluments are provided under note 12 to the Financial Statements.

Directors' Service Contracts

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

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

As at 31 March 2007, the interests and short positions of the Directors and the chief executive and their associates in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") in the Listing Rules were as follows:

(a) Interests in the Company

The table below sets out the long positions in the Shares and underlying shares of each Director and the chief executive of the Company:

	Number of Shares						
Name of Director/ chief executive	**Personal interests**	**Family interests**	**Corporate interests**	**Other interests**	**Interests in underlying shares/equity derivatives**	**Total Shares**	**Percentage of issued share capital**
Ordinary Shares							
Mr. Lai	1,720,594,935	–	1,000,000	64,538,230	–	1,786,133,165	74.06
Mr. Ting Ka Yu, Stephen	90,314	–	–	–	5,118,000 (Note 1)	5,208,314	0.22
Mr. Ip Yut Kin	10,000,377	2,630,000	–	–	–	12,630,377	0.52
Mr. Tung Chuen Cheuk	3,472,800	30,000	–	–	3,000,000 (Note 1)	6,502,800	0.27
Mr. Yeh V-Nee	300,000	–	–	–	–	300,000	0.01
Mr. Fok Kwong Hang, Terry	1,500,000	–	–	–	–	1,500,000	0. 06

(b) Interests in Associated Corporations

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

Apple Daily Publication Development Limited

	Number of Shares						
Name of Director/ chief executive	Personal interests	Family interests	Corporate interests	Other interests	Interests in underlying shares/equity derivatives	Total shares	Percentage of issued share capital
Ordinary Shares							
Mr. Ting Ka Yu, Stephen	–	–	–	–	100,000 (Note 2)	100,000	1.00
Mr. Ip Yut Kin	–	–	–	–	200,000 (Note 2)	200,000	2.00
Mr. Tung Chuen Cheuk	–	–	–	–	50,000 (Note 2)	50,000	0.50

Notes:

(1) These interests represented the share options granted by the Company to these Directors as beneficial owners, the details of which are set out in the section headed "Share Options".

(2) These interests represented the share options granted by Apple Daily Publication Development Limited to these Directors as beneficial owners, the details of which are set out in the section headed "Share Options".

Save as disclosed above and those as disclosed in the section headed "Discloseable Interests and Short Positions of Shareholders under the SFO" below, none of the Directors and chief executive of the Company or their associates had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 31 March 2007.

Discloseable Interests and Short Positions of Shareholders under the SFO

As at 31 March 2007, the following persons (other than a person who is a Director or chief executive of the Company) had interests or short positions in the Shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of shareholder	Number of shares/ underlying shares held	Percentage of issued share capital
Li Wan Kam, Teresa	1,786,133,165 (Note)	74.06

Note: These represent the same total number of Shares held by Mr. Lai as disclosed in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures". Ms. Li Wan Kam, Teresa is the spouse of Mr. Lai and is deemed to be interested in these Shares.

Save as disclosed above, the Company had not been notified of any other person (other than Directors or the chief executive of the Company) who had an interest or a short position in the Shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31 March 2007.

Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, the percentage of the Shares in public hands exceed 25% as at 31 May 2007, the latest practicable date to ascertain such information prior to the issue of this annual report.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

Corporate Governance

The Company has complied throughout the year ended 31 March 2007 with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules with deviations from certain provisions of the Code, details of which are set out in the section headed "Corporate Governance" in this annual report.

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

Arrangements to Purchase Shares or Debentures

Other than the option holdings disclosed above, at no time during the year was the Company or any of its subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

Directors' Interests in Contracts of Significance

No contracts of significance in relation to the Group's businesses to which the Company, its subsidiaries or associated companies was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Retirement Benefits Plans

Details of the retirement benefits plans of the Group are set out in note 29 to the Financial Statements.

Auditors

The Financial Statements have been audited by Messrs. Deloitte Touche Tohmatsu. A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint the auditors, Messrs. Deloitte Touche Tohmatsu.

On behalf of the Board
Jimmy Lai
Chairman

Hong Kong, 18 June 2007

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF NEXT MEDIA LIMITED
壹傳媒有限公司
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Next Media Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 65 to 123, which comprise the consolidated and Company balance sheets as at 31 March 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
18 June 2007

Consolidated Income Statement

For the year ended 31 March 2007

	NOTES	2007 HK$'000	2006 HK$'000
Revenue	7	**3,245,163**	3,322,024
Production costs			
Cost of raw materials consumed		**(1,208,051)**	(1,268,712)
Other overheads		**(148,563)**	(140,178)
Staff costs		**(672,428)**	(622,978)
Personnel costs excluding direct production staff costs		**(385,630)**	(368,751)
Other income	7	**41,372**	51,030
Depreciation of property, plant and equipment		**(156,588)**	(143,967)
Release of prepaid lease payments to consolidated income statement		**(1,797)**	(1,919)
Impairment of intangible assets		**–**	(45,000)
Other expenses		**(290,518)**	(254,783)
Finance costs	9	**(9,384)**	(11,484)
Profit before tax		**413,576**	515,282
Income tax expense	10	**(71,163)**	(74,516)
Profit for the year	11	**342,413**	440,766
Attributable to:			
Equity holders of the parent		**344,435**	440,766
Minority interests		**(2,022)**	–
		342,413	440,766
Dividends	14		
Interim dividend paid of HK4 cents (2005/2006: HK5 cents) per ordinary share		**96,473**	74,528
Final dividend paid for 2005/2006-HK18 cents (2004/2005: Nil) per ordinary share		**268,529**	–
Special dividend paid for 2005/2006-HK25 cents (2004/2005: Nil) per ordinary share		**–**	372,639
Share dividend declared for 2005/2006-HK3.5 cents (2004/2005: Nil) per preference share		**–**	32,200
		365,002	479,367
Earnings per share	16		
– Basic		**HK18 cents**	HK28 cents
– Diluted		**HK14 cents**	HK18 cents

Consolidated Balance Sheet

At 31 March 2007

	NOTES	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Intangible assets	17	**1,300,881**	1,300,881
Property, plant and equipment	19	**1,571,665**	1,596,996
Prepaid lease payments	20	**70,541**	72,338
Deferred tax assets	33	**4,014**	3,572
Deposit for acquisition of property, plant and equipment		**5,442**	25,912
		2,952,543	2,999,699
CURRENT ASSETS			
Inventories	22	**202,739**	214,053
Trade and other receivables	23	**575,908**	592,624
Prepaid lease payments	20	**1,797**	1,797
Derivative financial instruments	24	**746**	170
Restricted bank balances	25	**5,411**	5,411
Bank balances and cash	25	**862,283**	671,033
		1,648,884	1,485,088
CURRENT LIABILITIES			
Trade and other payables	26	**485,700**	450,931
Dividend payable		**–**	32,200
Borrowings	27	**127,186**	79,570
Obligations under finance leases	28	**887**	–
Tax liabilities		**21,534**	7,270
		635,307	569,971
NET CURRENT ASSETS		**1,013,577**	915,117
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,966,120**	3,914,816

	NOTES	2007 HK$'000	2006 HK$'000
NON-CURRENT LIABILITIES			
Borrowings	27	**285,352**	180,834
Obligations under finance leases	28	**718**	–
Retirement benefits obligations	29	**18,340**	19,662
Deferred tax liabilities	33	**304,887**	314,723
		609,297	515,219
NET ASSETS		**3,356,823**	3,399,597
CAPITAL AND RESERVES			
Share capital	30	**2,411,829**	3,101,643
Reserves		**944,956**	295,894
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**3,356,785**	3,397,537
MINORITY INTERESTS		**38**	2,060
TOTAL EQUITY		**3,356,823**	3,399,597

The consolidated financial statements on pages 65 to 123 were approved and authorised for issue by the Board of Directors on 18 June 2007 and are signed on its behalf by:

Ting Ka Yu, Stephen
DIRECTOR

Tung Chuen Cheuk
DIRECTOR

Balance Sheet

At 31 March 2007

	NOTES	**2007 HK$'000**	2006 HK$'000 (restated)
NON-CURRENT ASSETS			
Property, plant and equipment	19	**145,892**	148,483
Prepaid lease payments	20	**31,620**	32,425
Interests in subsidiaries	21	**2,626,014**	2,622,930
		2,803,526	2,803,838
CURRENT ASSETS			
Other receivables	23	**3,680**	1,859
Prepaid lease payments	20	**806**	806
Amounts due from subsidiaries	21	**871,547**	2,886,313
Restricted bank balances	25	**5,411**	5,411
Bank balances and cash	25	**401,895**	50,400
		1,283,339	2,944,789
CURRENT LIABILITIES			
Other payables	26	**15,054**	6,056
Amounts due to subsidiaries	21	**305,058**	2,085,203
Financial guarantee contracts		**215**	35
Dividend payable		**–**	32,200
		320,327	2,123,494
NET CURRENT ASSETS		**963,012**	821,295
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,766,538**	3,625,133
NON-CURRENT LIABILITY			
Deferred tax liabilities	33	**1,967**	2,789
NET ASSETS		**3,764,571**	3,622,344
CAPITAL AND RESERVES			
Share capital	30	**2,411,829**	3,101,643
Reserves	32	**1,352,742**	520,701
TOTAL EQUITY		**3,764,571**	3,622,344

Ting Ka Yu, Stephen
DIRECTOR

Tung Chuen Cheuk
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 March 2007

	Attributable to equity holders of the parent								
	Share capital HK$'000	Share premium HK$'000	Properties revaluation reserve HK$'000	Translation reserve HK$'000	Share options reserve HK$'000	Accumulated profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 April 2005	3,092,774	222,197	1,161	84,759	–	83,881	3,484,772	2,060	3,486,832
Exchange differences arising on translation of foreign operations recognised directly in equity	–	–	–	(64,986)	–	–	(64,986)	–	(64,986)
Profit for the year	–	–	–	–	–	440,766	440,766	–	440,766
Total recognised income and expenses for the year	–	–	–	(64,986)	–	440,766	375,780	–	375,780
Employee share option	–	–	–	–	1,540	–	1,540	–	1,540
Exercise of share options	8,869	5,943	–	–	–	–	14,812	–	14,812
Dividends	–	–	–	–	–	(479,367)	(479,367)	–	(479,367)
At 31 March 2006 and 1 April 2006	3,101,643	228,140	1,161	19,773	1,540	45,280	3,397,537	2,060	3,399,597
Exchange differences arising on translation of foreign operations recognised directly in equity	**–**	**–**	**–**	**(29,312)**	**–**	**–**	**(29,312)**	**–**	**(29,312)**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**344,435**	**344,435**	**(2,022)**	**342,413**
Total recognised income and expenses for the year	**–**	**–**	**–**	**(29,312)**	**–**	**344,435**	**315,123**	**(2,022)**	**313,101**
Employee share option	**–**	**–**	**–**	**–**	**8,817**	**–**	**8,817**	**–**	**8,817**
Exercise of share options	**186**	**124**	**–**	**–**	**–**	**–**	**310**	**–**	**310**
Conversion of preferences shares	**(690,000)**	**690,000**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Dividends	**–**	**–**	**–**	**–**	**–**	**(365,002)**	**(365,002)**	**–**	**(365,002)**
At 31 March 2007	**2,411,829**	**918,264**	**1,161**	**(9,539)**	**10,357**	**24,713**	**3,356,785**	**38**	**3,356,823**

Consolidated Cash Flow Statement

For the year ended 31 March 2007

	2007 HK$'000	2006 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**413,576**	515,282
Adjustments for:		
Finance costs	**9,384**	11,484
Allowance for bad and doubtful debts	**15,367**	5,011
Allowance for inventories	**–**	170
Depreciation of property, plant and equipment	**156,588**	143,967
Release of prepaid lease payments to consolidated income statement	**1,797**	1,919
Impairment of intangible assets	**–**	45,000
Loss on disposal of property, plant and equipment	**645**	307
Revaluation surplus of property, plant and equipment	**–**	(7,009)
Impairment of prepaid lease payments	**–**	9,678
Increase in fair value of derivative financial instruments	**(576)**	(170)
Share-based payment expense	**8,817**	1,540
Interest income	**(17,371)**	(20,527)
Operating cash flows before movements in working capital	**588,227**	706,652
Decrease (increase) in inventories	**11,314**	(30,513)
Decrease (increase) in trade and other receivables	**1,349**	(74,281)
Increase in trade and other payables	**34,769**	78,218
(Decrease) increase in retirement benefits obligations	**(1,322)**	601
Effect on foreign exchange rate changes	**(22,953)**	(33,391)
Net cash generated from operations	**611,384**	647,286
Income tax paid	**(67,222)**	(91,572)
Income tax refund	**–**	3,996
NET CASH FROM OPERATING ACTIVITIES	**544,162**	559,710

	2007 HK$'000	2006 HK$'000
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(114,371)**	(84,246)
Deposit paid for acquisition of property, plant and equipment	**(5,442)**	(25,912)
Interest received	**17,371**	20,527
Proceeds from disposal of property, plant and equipment	**1,767**	705
Value-added tax refund on purchase of property, plant and equipment	**–**	13,018
NET CASH USED IN INVESTING ACTIVITIES	**(100,675)**	(75,908)
FINANCING ACTIVITIES		
Dividend paid	**(397,202)**	(447,167)
Repayment of bank loans	**(84,730)**	(241,515)
Interest paid	**(9,384)**	(11,484)
Repayment of obligations under finance leases	**(486)**	–
New loans raised	**240,000**	286,807
Proceeds from exercise of share options	**310**	14,812
NET CASH USED IN FINANCING ACTIVITIES	**(251,492)**	(398,547)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**191,995**	85,255
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**671,033**	593,361
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(745)**	(7,583)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**862,283**	671,033

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

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 consolidated 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 NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group and the Company have applied, for the first time, a number of new standard, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's and Company's financial year beginning 1 April 2006. The adoption of the new HKFRSs has had no material impact on the Group's results or financial position, however the impact for the Company is as follows:

The Company has applied Hong Kong Accounting Standard ("HKAS") 39 and HKFRS 4 (Amendments) *Financial Guarantee Contracts* which is effective for annual periods beginning on or after 1 January 2006.

A financial guarantee contract is defined by HKAS 39 *Financial Instruments: Recognition and Measurement* as "a contract requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument".

Prior to 1 January 2006, financial guarantee contracts granted by the Company to its subsidiaries were not recognised but disclosed as related party transactions and contingent liabilities.

Upon the application of these amendments, financial guarantee contracts granted by the Company to its subsidiaries and not designated as at fair value through profit or loss are recognised initially at its fair value. Subsequent to initial recognition, the Company measures the financial guarantee contracts at the higher of: (i) the amount determined in accordance with HKAS 37 *Provision*, *Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") *(continued)*

In relation to this change in accounting policy, the Company has applied the transitional provisions in HKAS 39. The fair value of the financial guarantee contracts at the date of grant of HK$2,930,000, representing a deemed capital contribution to the subsidiaries, has been adjusted to the carrying amount of investments in subsidiaries. The cumulative amortisation as at 1 April 2006 of HK$2,895,000 and the unamortised amount of HK$35,000 have been adjusted against accumulated profits and recognised as a financial liability for the financial guarantee contract respectively.

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

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

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-Int 8	Scope of HKFRS 2[3]
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives[4]
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment[5]
HK(IFRIC)-Int 11	HKFRS 2-Group and Treasury Share Transactions[6]
HK(IFRIC)-Int 12	Service Concession Arrangements[7]

1 Effective for annual periods beginning on or after 1 January 2007
2 Effective for annual periods beginning on or after 1 January 2009
3 Effective for annual periods beginning on or after 1 May 2006
4 Effective for annual periods beginning on or after 1 June 2006
5 Effective for annual periods beginning on or after 1 November 2006
6 Effective for annual periods beginning on or after 1 March 2007
7 Effective for annual periods beginning on or after 1 January 2008

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated 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 consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated 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 entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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.

Interests in subsidiaries

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 delivery, net of allowances for of unsold copies which may be returned.

(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 from a financial asset is accrued on a time basis, by reference to the principal outstanding and at 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.

(ix) Internet subscription income and internet content provision income are recognised upon the provision of the services.

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).

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 consolidated 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Masthead and publishing rights *(continued)*

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 other than freehold land are stated at cost or fair value less subsequent accumulated depreciation and accumulated impairment losses.

Buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheets at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Freehold land is stated at revalued amount, being the fair value at the date of revaluation less 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 freehold land and buildings is credited to the properties 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 consolidated 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 properties 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.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of relevant lease.

Depreciation is provided to write off the cost or fair value of items of property, plant and equipment other than freehold land 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 consolidated income statement in the year in which the item is derecognised.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 consolidated 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

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the consolidated income statement.

Rentals payable under operating leases are charged to consolidated 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 consolidated 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 the respective 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 the consolidated 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 the consolidated 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, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in the consolidated income statement in the period in which the foreign operation is disposed of.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Provisions

Provisions are recognised when the Group has a present obligation as a result of past events and 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.

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) Retirement benefits obligations

The Group operates defined contribution retirement scheme in Hong Kong and Taiwan and a mandatory provident fund scheme for its eligible employees in Hong Kong, and 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

(iii) Retirement benefits obligations (continued)

The amount recognised in the consolidated 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.

(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 expended on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in consolidated income statement, with a corresponding adjustment to 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.

The Group has applied HKFRS 2 "Share-based payment" to share options granted on or after 1 April 2005 and those granted after 7 November 2002 that vested after 1 April 2005. In relation to share options granted before 1 April 2005, which had vested before 1 April 2005, no amount has been recognised in the consolidated financial statements.

Where a grant of share options is cancelled together with the issue of a new grant of share options, the Group determines whether the new grant is a replacement grant or a separate issue of share options. Where the new grant is considered to be a replacement it is recognised as a modification of the original grant. The fair value of both the replacement grant and cancelled share options is determined at the date the replacement share options are granted and the difference, the incremental fair value, is recognised as an expense from the grant date of the replacement issue over the vesting period. The fair value of the cancelled options as determined at date of the original grant continues to be expensed over the original vesting period.

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 consolidated 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 consolidated 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 realised. Deferred tax is charged or credited to the consolidated 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 sheets when an 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 the consolidated income statement.

Financial assets

The Group's financial assets are classified into two categories, financial assets at fair value through profit or loss and loans and receivables. The accounting policies adopted in respect of each category 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 derivatives deemed as financial assets held for trading. 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 the consolidated income statement in the period in which they arise.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

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 trade and other receivables, 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 the consolidated 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 accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities including borrowings, trade and other payables, obligations under finance leases and amounts due to subsidiaries are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designed as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

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 receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in the consolidated income statement.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the consolidated 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 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.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so 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.

5. 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 estimates, 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.

Income taxes

As at 31 March 2007, the Group had estimated unused tax losses of approximately HK$1,120,845,000 available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$92,324,000 of such losses. No deferred tax assets has been recognised on the tax losses of approximately HK$1,028,521,000 due to unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future taxable profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are more or less than expected, a material reversal or recognition of deferred tax assets may arise.

6. FINANCIAL INSTRUMENTS

a. Financial risk management objectives and policies

The Group's and the Company's major financial instruments include borrowings, trade and other receivables, trade and other payables, bank balances and cash 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.

Market risk

Currency risk

Certain trade receivables and trade payables of the Group are denominated in foreign currencies (as disclosed in notes 23 and 26). Management monitors foreign exchange exposure and will consider entering into foreign currency forward contracts in order to mitigate the foreign currency risk. As at 31 March 2007, the Group entered into certain foreign exchange forward contracts to partially hedge its currency risk.

Cash flow interest rate risk

The Group's cash flow interest rate risk relates primarily to variable-rate bank borrowings (see note 27 for details of these borrowings) and variable-rate bank deposits. It is the Group's policy to keep its borrowings and bank deposits at floating rate of interests so as to minimise the cash flow interest rate risk. The management will consider hedging significant cash flow interest rate risk should the need arise.

6. FINANCIAL INSTRUMENTS *(continued)*

a. Financial risk management objectives and policies *(continued)*

Credit risk

The Company

As at 31 March 2007, the Company's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees is issued by the Company's arising from:

- the carrying amount of the respective recognised financial assets as stated in the balance sheet; and
- the amount of contingent liabilities disclosed in note 34(c).

The Company's concentration of credit risk is on amounts due from subsidiaries.

The Group

As at 31 March 2007, the Group's maximum exposure to credit risk which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties issued by the Group arising from the carrying amount of the respective recognised financial assets as stated in the Group's consolidated balance sheet.

In order to minimise the credit risk, the management of the Group and the Company 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 and the Company reviews the recoverable amount of each individual trade 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 credit risk is significantly reduced.

The credit risk on the Group and the Company's bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

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

b. Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- the fair value of derivative instruments are obtained from financial institutions which are determined with reference to estimated cash flows with appropriate yield curve for equivalent instruments at balance sheet date.

The Directors consider that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the consolidated financial statements approximates their fair value.

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, internet subscription, provision of internet content and the sales of advertising space on website. Revenue, which represents turnover of the Group, recognised during the year, is as follows:

	2007	2006
	HK$'000	HK$'000
Revenue		
Sales of newspapers	**775,029**	736,232
Sales of books and magazines	**269,108**	299,698
Newspapers advertising income	**1,389,839**	1,438,702
Books and magazines advertising income	**563,873**	602,424
Printing and reprographic services income	**215,966**	215,775
Internet subscription, content provision and advertising income	**31,348**	29,193
	3,245,163	3,322,024
Other income		
Sales of waste materials	**19,528**	18,850
Interest income on bank deposits	**17,371**	20,527
Rental income	**1,564**	1,628
Revaluation surplus of property, plant and equipment	**–**	7,009
Others	**2,909**	3,016
	41,372	51,030

8. BUSINESS AND GEOGRAPHICAL SEGMENTS

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.

Analysis of business segment results for the year ended 31 March 2007

	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
CONSOLIDATED INCOME STATEMENT						
REVENUE						
External sales	**2,277,702**	**832,981**	**103,132**	**31,348**	**–**	**3,245,163**
Inter-segment sales	**–**	**–**	**169,178**	**–**	**(169,178)**	**–**
	2,277,702	**832,981**	**272,310**	**31,348**	**(169,178)**	**3,245,163**
Segment results	**309,934**	**46,296**	**34,395**	**11,891**	**–**	**402,516**
Unallocated expenses						**(1,400)**
Unallocated income						**21,844**
Finance costs						**(9,384)**
Profit before tax						**413,576**
Income tax expense						**(71,163)**
Profit for the year						**342,413**

8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

	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
CONSOLIDATED BALANCE SHEET						
Segment assets	**2,904,734**	**560,109**	**255,824**	**9,052**	**–**	**3,729,719**
Unallocated assets						**871,708**
Total assets						**4,601,427**
Segment liabilities	**(273,273)**	**(165,278)**	**(53,655)**	**(9,213)**	**–**	**(501,419)**
Unallocated liabilities						**(743,185)**
Total liabilities						**(1,244,604)**
OTHER INFORMATION						
Capital expenditure	**(115,671)**	**(15,481)**	**(8,333)**	**(2,889)**	**–**	**(142,374)**
Depreciation of property, plant and equipment	**(127,359)**	**(13,505)**	**(14,285)**	**(1,439)**	**–**	**(156,588)**
Release of prepaid lease payments to consolidated income statement	**(991)**	**–**	**(806)**	**–**	**–**	**(1,797)**
(Allowance) reversal for bad and doubtful debts	**(18,270)**	**3,335**	**(1,205)**	**773**	**–**	**(15,367)**
Share-based payment expense	**–**	**–**	**(8,817)**	**–**	**–**	**(8,817)**
Loss on disposal of property, plant and equipment	**(483)**	**(38)**	**(124)**	**–**	**–**	**(645)**

8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(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
CONSOLIDATED 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	312,128	115,050	55,513	13,295	–	495,986
Unallocated expenses						(1,400)
Unallocated income						32,180
Finance costs						(11,484)
Profit before tax						515,282
Income tax expense						(74,516)
Profit for the year						440,766
CONSOLIDATED 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)

8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

	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
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 consolidated income statement	(1,108)	–	(811)	–	–	(1,919)
Impairment of intangible asset	–	(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) reversal 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)

Geographical segments

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

	2007 HK$'000	2006 HK$'000
Hong Kong	**1,817,186**	1,977,477
Taiwan	**1,353,260**	1,250,805
North America	**43,714**	59,012
Europe	**23,483**	23,550
Australasia	**6,767**	10,140
Others	**753**	1,040
	3,245,163	3,322,024

8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

The following is an analysis of the carrying amount of segment assets and capital expenditure analysed by the geographical area in which the assets are located:

	2007		2006	
	Segment assets HK$'000	**Capital expenditure HK$'000**	Segment assets HK$'000	Capital expenditure HK$'000
Hong Kong	**2,512,728**	**26,670**	2,600,420	69,010
Taiwan	**1,213,124**	**115,663**	1,199,776	15,226
North America	**3,867**	**41**	4,575	10
	3,729,719	**142,374**	3,804,771	84,246

9. FINANCE COSTS

	2007 HK$'000	2006 HK$'000
Interest expenses on bank borrowings wholly repayable within five years	**9,369**	11,484
Interest expense on finance lease	**15**	–
	9,384	11,484

10. INCOME TAX EXPENSE

	2007 HK$'000	2006 HK$'000
Current tax:		
Hong Kong	**75,145**	81,933
Taiwan	**3,047**	–
Other jurisdictions	**217**	318
Under (over) provision in prior years	**3,077**	(2,983)
	81,486	79,268
Deferred tax (note 33):		
Current year	**(10,323)**	(4,752)
	71,163	74,516

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

Taiwan Profits Tax is calculated at 22% of the estimated assessable profits for the current year.

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

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

	2007 HK$'000	2006 HK$'000
Profit before tax	**413,576**	515,282
Tax at Hong Kong Profits Tax rate of 17.5%	**72,376**	90,174
Tax effect of expenses not deductible for tax purpose	**2,849**	6,598
Tax effect of income not taxable for tax purpose	**(3,409)**	(3,551)
Under (over) provision in prior years	**3,077**	(2,983)
Tax effect of tax losses not recognised	**14,478**	3,227
Tax effect of deferred tax assets not recognised	**199**	742
Utilisation of tax losses previously not recognised	**(10,844)**	(18,663)
Utilisation of deferred tax assets previously not recognised	**(5,676)**	(80)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(1,887)**	(948)
Tax charge for the year	**71,163**	74,516

11.PROFIT FOR THE YEAR

	2007 **HK$'000**	2006 HK$'000
Profit for the year has been arrived at after charging:		
Allowance for bad and doubtful debts	**15,367**	5,011
Allowance for inventories	**–**	170
Auditor's remuneration	**2,040**	1,700
Costs of inventories consumed in production	**2,029,042**	2,031,698
Impairment of prepaid lease payments	**–**	9,678
Operating lease expenses on:		
Properties	**6,250**	6,139
Plant and equipment	**12,801**	12,000
Legal and professional fees	**56,206**	12,627
Staff costs (note 15)	**1,058,058**	991,729
Loss on disposal of property, plant and equipment	**645**	307
and after crediting:		
Increase in fair value of derivative financial instruments	**576**	170
Net foreign exchange gain	**15,855**	24,390

12. DIRECTORS' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the 7 (2006: 7) Directors were as follows:

2007

	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	**2,849**	**3,388**	**3,896**	**4,574**	**–**	**–**	**–**	**14,707**
Share based payment	**–**	**286**	**–**	**1,730**	**–**	**–**	**–**	**2,016**
Pension costs-defined contribution plans	**–**	**103**	**94**	**101**	**–**	**–**	**–**	**298**
Total emoluments	**3,049**	**3,977**	**4,190**	**6,605**	**200**	**200**	**200**	**18,421**

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

12.DIRECTORS' EMOLUMENTS *(continued)*

The emoluments disclosed above include expenses of HK$2,460,000 (2006: HK$2,253,000) paid by the Group under two operating leases in respect of residential accommodation provided to an Executive Director.

During the years ended 31 March 2007 and 2006, no Director waived or agreed to waive any emoluments.

13.EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2006: four) were Directors of the Company whose emoluments are included in the disclosure in note 12 above. The emoluments of the remaining one (2006: one) individual were as follows:

	2007 HK$'000	2006 HK$'000
Salaries and other benefits	**4,128**	3,498
Pension costs – defined contribution plan	**148**	144
	4,276	3,642

14.DIVIDENDS

Dividends recognised as distribution during the year:

	2007 HK$'000	2006 HK$'000
Ordinary shares:		
Interim dividend, paid – HK4 cents (2005/2006: HK5 cents) per share	**96,473**	74,528
Final dividend, paid for 2005/2006 – HK18 cents (2004/2005: Nil) per share	**268,529**	–
Special dividend, paid for 2005/2006 – HK25 cents (2004/2005: Nil) per share	**–**	372,639
	365,002	447,167
Preference shares:		
Preference share dividend, declared for 2005/2006 – HK3.5 cents (2004/2005: Nil) per share	**–**	32,200
	365,002	479,367

The final dividend of HK8.5 cents (2006: HK18 cents) and a special dividend of HK9 cents (2006: HK25 cents) per ordinary share have been proposed by the Directors and are 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.

15. STAFF COSTS

	2007 HK$'000	2006 HK$'000
Wages, salaries and other benefits	**1,008,664**	951,588
Pension costs – defined contribution plans, net of forfeited contributions (note 29(a) & (b))	**41,433**	35,336
Pension costs – defined benefits plans (note 29(c))	**(856)**	3,265
Share based payment	**8,817**	1,540
	1,058,058	991,729

The staff costs for the year ended 31 March 2007 included Directors' emoluments of HK$18,421,000 (2006: HK$12,820,000) as set out in note 12.

16. EARNINGS PER SHARE

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

Earnings	2007 HK$'000	2006 HK$'000
Profit for the year attributable to equity holders of the parent:		
Earnings for the purposes of basic earnings per share	**344,435**	440,766
Adjustment to dividend on preference shares	**–**	(32,200)
Earnings for the purposes of basic earnings per share	**344,435**	408,566
Effect of dilutive potential ordinary shares		
Adjustment to dividend on preference shares	**–**	32,200
Earnings for the purposes of diluted earnings per share	**344,435**	440,766

Number of shares	2007	2006
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,940,435,057**	1,486,485,622
Share options	**1,968,396**	1,972,714
Convertible preference shares	**471,342,466**	920,000,000
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**2,413,745,919**	2,408,458,336

17. INTANGIBLE ASSETS

	Masthead and publishing rights HK$'000
THE GROUP	
COST	
At 1 April 2005, 31 March 2006 and 31 March 2007	1,482,799
ACCUMULATED IMPAIRMENT	
At 1 April 2005	136,918
Impairment loss recognised for the year	45,000
At 31 March 2006 and 31 March 2007	181,918
CARRYING VALUES	
At 31 March 2007	1,300,881
At 31 March 2006	1,300,881

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 18.

As at 31 March 2006, 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 one of the cash generating units ("CGUs") included in the books and magazines publication segment, Easy Finder I.P. Limited, the Directors of the Company identified an impairment loss in respect of masthead and publishing rights of approximately HK$45,000,000.

18. 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 17 have been allocated to two individual CGUs, including one subsidiary in newspapers publication and printing segment and one subsidiary 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	
	2007	2006
	HK$'000	HK$'000
Newspaper publication and printing - Apple Daily I.P. Limited	**1,020,299**	1,020,299
Books and magazines publication - Next Media I.P. Limited	**280,582**	280,582
	1,300,881	1,300,881

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 3% (2006: 3%), and a discount rate of 12.7% (2006: 10.25%). Cash flow projections beyond the 5-year period are extrapolated using a steady 3% growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. 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.

19. PROPERTY, PLANT AND EQUIPMENT

	Freehold 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 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 and 1 April 2006	794,538	49,925	1,172,575	226,864	6,515	2,250,417
Exchange difference	(4,394)	(273)	(5,179)	(1,640)	(10)	(11,496)
Additions	55,120	3,446	57,053	25,101	1,654	142,374
Disposals	–	(37)	(3,720)	(7,285)	(1,190)	(12,232)
At 31 March 2007	845,264	53,061	1,220,729	243,040	6,969	2,369,063
ACCUMULATED DEPRECIATION						
At 1 April 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 and 1 April 2006	21,402	17,329	445,962	164,672	4,056	653,421
Exchange difference	(75)	(37)	(1,243)	(1,428)	(8)	(2,791)
Charge for the year	14,403	2,228	102,732	36,258	967	156,588
Disposals	–	(9)	(2,512)	(6,229)	(1,070)	(9,820)
At 31 March 2007	35,730	19,511	544,939	193,273	3,945	797,398
CARRYING VALUES						
At 31 March 2007	809,534	33,550	675,790	49,767	3,024	1,571,665
At 31 March 2006	773,136	32,596	726,613	62,192	2,459	1,596,996

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

19. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The analysis of the cost or valuation at 31 March 2007 of the above assets is as follows:

	Freehold 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	**–**	**53,061**	**1,220,729**	**243,040**	**6,969**	**1,523,799**
At 31.3.2006 valuation	**318,225**	**–**	**–**	**–**	**–**	**318,225**
At 31.3.2004 valuation	**527,039**	**–**	**–**	**–**	**–**	**527,039**
	845,264	**53,061**	**1,220,729**	**243,040**	**6,969**	**2,369,063**

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

	Freehold 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 31.3.2006 valuation	271,452	–	–	–	–	271,452
At 31.3.2004 valuation	523,086	–	–	–	–	523,086
	794,538	49,925	1,172,575	226,864	6,515	2,250,417

19.PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
THE COMPANY				
COST OR VALUATION				
At 1 April 2005	145,032	12,216	–	157,248
Additions	–	35	–	35
At 31 March 2006 and 1 April 2006	145,032	12,251	–	157,283
Additions	–	1,218	6	1,224
At 31 March 2007	145,032	13,469	6	158,507
ACCUMULATED DEPRECIATION				
At 1 April 2005	3,367	1,827	–	5,194
Charge for the year	3,360	246	–	3,606
At 31 March 2006 and 1 April 2006	6,727	2,073	–	8,800
Charge for the year	3,353	461	1	3,815
At 31 March 2007	10,080	2,534	1	12,615
CARRYING VALUES				
At 31 March 2007	134,952	10,935	5	145,892
At 31 March 2006	138,305	10,178	–	148,483

19. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The analysis of the cost or valuation at 31 March 2007 of the above assets is as follows:

	Buildings HK$'000	**Leasehold improvements HK$'000**	**Furniture, fixture and equipment HK$'000**	**Total HK$'000**
At cost	**–**	**13,469**	**6**	**13,475**
At 31.3.2004 valuation	**145,032**	**–**	**–**	**145,032**
	145,032	**13,469**	**6**	**158,507**

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

	Buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixture and equipment HK$'000	Total HK$'000
At cost	–	12,251	–	12,251
At 31.3.2004 valuation	145,032	–	–	145,032
	145,032	12,251	–	157,283

As at 31 March 2007, the Group's and the Company's land and buildings were valued as follows:

	2007		2006	
	THE GROUP HK$'000	**THE COMPANY HK$'000**	THE GROUP HK$'000	THE COMPANY HK$'000
Buildings situated in Hong Kong (note a), less depreciation	**398,678**	**134,952**	408,564	138,305
Freehold land and buildings situated outside Hong Kong (note b)	**410,856**	**–**	364,572	–
	809,534	**134,952**	773,136	138,305

19. PROPERTY, PLANT AND EQUIPMENT *(continued)*

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 by Vigers Appraisal & Consultancy Limited, an independent valuer, at 31 March 2007 with a revaluation surplus of HK$47,322,000. The Directors have considered the carrying amounts of those properties and have estimated that the carrying amounts do not differ significantly from that which would be determined using fair values at the balance sheet date. Consequently, no revaluation surplus or deficit has been recognised in the income statement for the current year.

(b) As at 31 March 2007, freehold land and buildings situated outside Hong Kong included land and buildings with an aggregate carrying value of HK$409,690,000 (2006: HK$363,360,000) situated in Taiwan which were valued on market value basis and the latest valuation performed on these properties was carried out by Vigers Appraisal & Consulting Limited, an independent valuer, at 31 March 2007 with a revaluation surplus of HK$22,305,000. The Directors have considered the carrying amounts of those properties and have estimated that the carrying amounts do not differ significantly from that which would be determined using fair values at the balance sheet date. Consequently, no revaluation surplus or deficit has been recognised in the income statement for the current year. A revaluation surplus of HK$7,009,000 was recognised in the consolidated income statement for the year ended 31 March 2006.

(c) As at 31 March 2007, freehold land and buildings situated outside Hong Kong included land and buildings with an aggregate carrying value of HK$1,166,000 (2006: HK$1,212,000) situated in Canada which were valued on market value basis and the latest valuation performed on these properties was carried out by Colliers International Realty Advisors Inc., an independent valuer, at 31 March 2007. The Directors have considered the carrying amounts of those properties and have estimated that the carrying amounts do not differ significantly from that which would be determined using fair values at the balance sheet date. Consequently, no revaluation surplus or deficit has been recognised in the income statement for the current year.

(d) The aggregate carrying value of freehold land and buildings held by the Group and the Company would have been HK$765,009,000 (2006: HK$765,171,000) and HK$97,627,000 (2006: HK$137,541,000) respectively had they been stated at cost less accumulated depreciation and accumulated impairment losses.

(e) At 31 March 2007, certain of the Group's buildings with a total net book value of HK$617,930,000 (2006: HK$362,932,000) were pledged as security for the Group's banking facilities (note 27).

(f) At 31 March, 2007, certain plant and machinery with an aggregate carrying value of HK$324,012,000 (2006: HK$306,310,000) were pledged as security for the Group's banking facilities (note 27).

(g) At 31 March 2007, certain of the Group's furniture, fixtures and equipment with a total net book value of HK$1,452,000 (2006: Nil) were under finance lease obligation.

20. PREPAID LEASE PAYMENTS

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
The prepaid lease payments comprise of long-term leasehold land in Hong Kong	**72,338**	74,135	**32,426**	33,231
Analysed of reporting purposes as:				
Current asset	**1,797**	1,797	**806**	806
Non-current asset	**70,541**	72,338	**31,620**	32,425
	72,338	74,135	**32,426**	33,231

At 31 March 2006, an impairment review was performed on the prepaid lease payments by the management with reference to the prepaid lease payments' fair value less costs of selling. The fair value of the prepaid lease payments was based on the valuation report carried out by Chesterton Petty Limited on market value basis. An impairment loss of approximately HK$9,678,000 was identified, which has been charged to the income statement for the year ended 31 March 2006.

At 31 March 2007, certain of the Group's prepaid lease payments with carrying amount of approximately HK$39,912,000 (2006: Nil) were pledged as securities for the Group's banking facilities (note 27).

21. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM (TO) SUBSIDIARIES

	THE COMPANY	
	2007	2006
	HK$'000	HK$'000 (restated)
Unlisted shares, at cost less allowance	**2,620,000**	2,620,000
Deemed capital contribution	**6,014**	2,930
	2,626,014	2,622,930
Amounts due from subsidiaries, net of allowance shown as current asset	**871,547**	2,886,313
Amounts due to subsidiaries shown as current liability	**305,058**	2,085,203

As at 31 March 2007, all balances with subsidiaries are unsecured, interest free and 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.

Particulars of the Company's principal subsidiaries at 31 March 2007 are set out in note 38.

22. INVENTORIES

	THE GROUP	
	2007	2006
	HK$'000	HK$'000
Raw materials	**200,108**	212,990
Work in progress	**2,193**	634
Finished goods	**438**	429
	202,739	214,053

23. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables, net of allowance of approximately HK$52,207,000 (2006: HK$38,717,000)	**510,389**	501,421	**–**	–
Prepayments	**22,085**	49,497	**–**	–
Rental and other deposits	**21,318**	18,746	**2,911**	1,351
Others	**22,116**	22,960	**769**	508
Trade and other receivables	**575,908**	592,624	**3,680**	1,859

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

An analysis of the trade receivables of the Group by age is as follows:

	2007	2006
	HK$'000	HK$'000
0 – 1 month	**238,372**	233,545
1 – 3 months	**232,882**	228,108
Over 3 months	**39,135**	39,768
	510,389	501,421

The Group's trade receivables that are denominated in currencies other than functional currencies of the respective group companies are set out below:

	2007		2006	
	Denominated currency '000	**Equivalent to HK$'000**	Denominated currency '000	Equivalent to HK$'000
United States Dollar ("USD")	**1,150**	**8,936**	1,067	8,323
Pound Sterling ("GPB")	**22**	**319**	15	198
Australian Dollar ("AUD")	**198**	**1,215**	362	2,083

24. DERIVATIVE FINANCIAL INSTRUMENTS

	THE GROUP	
	2007	2006
	Assets	Assets
	HK$'000	HK$'000
Forward foreign currency contracts	**746**	170

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

Notional amount	Maturity	Exchange rates
Buy US$500,000	Various maturity dates up to 31 December 2007	HK$7.694 to US$1
Buy US$1,000,000	Various maturity dates up to 30 September 2007	HK$7.702 to US$1

25. RESTRICTED BANK BALANCES/BANK BALANCES AND CASH

THE GROUP AND THE COMPANY

As at 31 March 2007, bank balances amounting to HK$5,411,000 (2006: HK$5,411,000) were restricted for the use of settling certain potential debts and claims as stipulated as part of a share capital reduction exercise carried out during the year ended 31 March 2003. The restricted bank balances carry fixed interest rate at 4% per annum.

Included in bank balances and cash was an amount of approximately HK$722,243,000 (2006: HK$579,394,000) placed in time deposits for periods from 1 day to a period not exceeding three months. Such deposits bear variable interest between at 1.26% and 5.06% per annum. The effective interest rate is 3.16% per annum.

The remaining bank balances placed in current accounts and saving accounts, which bear variable interest at 0.1% per annum.

26. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**150,124**	151,164	**–**	–
Accrued charges (Note)	**335,576**	299,767	**15,054**	6,056
Trade and other payables	**485,700**	450,931	**15,054**	6,056

Note: The accrued charges include an amount of HK$85,238,000 (2006: HK$52,961,000) accrued for legal and professional expenses relating to a number of legal proceedings disclosed in note 34.

26. TRADE AND OTHER PAYABLES *(continued)*

An analysis of the trade payables of the Group by age is as follows:

	2007 **HK$'000**	2006 HK$'000
0 – 1 month	**107,286**	112,562
1 – 3 months	**29,584**	26,517
Over 3 months	**13,254**	12,085
	150,124	151,164

The Group's trade payable that are denominated in currencies other than functional currencies of the respective group companies are set out below:

	2007		2006	
	Denominated currency '000	**Equivalent to HK$'000**	Denominated currency '000	Equivalent to HK$'000
United States Dollar ("USD")	**9,500**	**74,213**	8,526	66,220

27. BORROWINGS

An analysis of the secured bank loans of the Group is as follows:

	2007 **HK$'000**	2006 HK$'000
Carrying amount repayable		
– within one year	**127,186**	79,570
– in the second year	**140,149**	80,165
– in the third year	**81,203**	80,787
– in the fourth year	**64,000**	19,882
	412,538	260,404
Less: Amount due within one year shown under current liabilities	**(127,186)**	(79,570)
Non-current portion	**285,352**	180,834

27. BORROWINGS *(continued)*

All bank loans are variable-rate borrowings which carry interest ranging from one to three months Hong Kong Interbank Offered Rate plus 0.71875% and ranging from one month to two years fixed deposit rate of 2% to 2.255% plus 0.6% to 2.25% per annum (2006: ranging from one month to two years fixed deposit rate of 1.01% to 2.60% plus 0.6% to 2.25% per annum).

The effective interest rate of borrowings is 4.25% (2006: 3.54%) per annum.

28. OBLIGATIONS UNDER FINANCE LEASES

It is the Group's policy to lease certain of its furniture, fixtures and equipment under finance leases. The average lease term is 3 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates at approximately 5.2% per annum. No arrangements have been entered into for contingent rental payments.

	Minimum lease payments HK$'000	**Present value of minimum lease payments HK$'000**
Amounts payable under finance leases		
Within one year	939	887
In more than one year but not more than two years	751	664
In more than two years but not more than three years	63	54
	1,753	1,605
Less: future finance charges	(148)	N/A
Present value of lease obligations	1,605	1,605
Less: Amount due for settlement with 12 months (shown under current liabilities)		(887)
Amount due for settlement after 12 months		718

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

29. RETIREMENT BENEFITS PLANS

	2007 HK$'000	2006 HK$'000
Obligations on:		
Pensions – defined contribution plans (note (a) &(b))	**2,771**	2,833
Pensions – defined benefit plans (note (c))	**18,340**	19,662
	21,111	22,495

Notes:

Hong Kong

Defined contribution plan

(a) The Group operates two (2006: 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 contribution 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$1,735,000 (2006: HK$1,044,000) were utilised during the year. At 31 March 2007, Nil (2006: HK$186,000) was available to reduce future contributions in respect of the HK Schemes.

As at 31 March 2007, the Group had no contributions payable under the HK Schemes and the MPF Scheme (2006: HK$107,000) which is included in accounts payable and accrued charges under current liabilities in the consolidated balance sheet.

Taiwan

Defined contribution plan

(b) Starting from 1 July 2005, employees may choose a 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 Taiwan defined contribution scheme was established under trust with the assets of the funds held separately from those of the Group by independent trustees.

There were no forfeited contributions for both years ended 31 March 2007 and 31 March 2006.

As at 31 March 2007, the Group had contributions payable under the Taiwan defined contribution scheme totalling HK$2,771,000 (2006: HK$2,726,000) which is included in accounts payable and accrued charges under current liabilities in the consolidated balance sheet.

Defined benefit plans

(c) The Group also operates three (2006: two) defined benefit retirement schemes for its eligible employees in Taiwan (the "Taiwan Schemes"). Under the schemes, the employees are entitled to retirement benefits varying between 50 to 75 per cent of final salary on attainment of a retirement age of 60. The assets of the Taiwan Schemes are held under a government-run trust separate from those of the Group. As at 31 March 2007, the Taiwan Schemes were valued by a qualified acturary, ClientView Management Consulting Co., Ltd., using the projected unit credit method.

29. RETIREMENT BENEFITS PLANS *(continued)*

The principal actuarial assumptions used for the purposes of the actuarial valuation were as follows:

	2007	2006
	%	%
Discount rate	**2.5**	3.5
Expected rate of return on plan assets	**2.5**	2.5
Expected rate of future salary increases	**3.0**	3.0

The amounts recognised in the consolidated balance sheet arising from the Group's obligation in respect of its defined benefit retirement benefit plans is as follows:

	2007	2006
	HK$'000	HK$'000
Present value of funded defined benefit obligations	**33,352**	26,084
Fair value of plan assets	**(11,166)**	(10,849)
	22,186	15,235
Net actuarial (losses) gains not recognised	**(3,846)**	4,427
Net liability arising from defined benefit obligation	**18,340**	19,662

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
Preference shares of HK$1.75 each and ordinary shares of HK$1.00 each				
At 1 April 2005, 1 April, 2006 and 31 March 2007	1,160,000,000	2,030,000	2,570,000,000	2,570,000

	Issued and fully paid			
	Preference shares		Ordinary shares	
	No. of shares	HK$'000	No. of shares	HK$'000
At 1 April 2005	920,000,000	1,610,000	1,482,773,481	1,482,774
Exercise of share options	–	–	8,869,800	8,869
At 31 March 2006 and 1 April 2006	920,000,000	1,610,000	1,491,643,281	1,491,643
Conversion of preference shares	(920,000,000)	(1,610,000)	920,000,000	920,000
Exercise of share options	–	–	185,600	186
At 31 March 2007	–	–	2,411,828,881	2,411,829

	2007	2006
	HK$'000	HK$'000
Total issued and fully paid share capital		
Ordinary shares of HK$1.00 each	**2,411,829**	1,491,643
Preference shares of HK$1.75 each	**–**	1,610,000
	2,411,829	3,101,643

Preference shares of HK$1.75 each were allotted to a shareholder of the Company in October 2001. The Preference shares were converted into fully paid ordinary shares of HK$1.00 each.

31.SHARE OPTION SCHEMES

(a) Share Option Schemes adopted by the Company

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**	**Expiry date**	**Balance as at 1.4.2006**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Cancelled during the year**	**Balance as at 31.3.2007**
Directors	18.03.2002	HK$1.67	28.12.2010	1,618,000	–	–	–	–	1,618,000
	18.01.2006	HK$3.75	28.12.2010	3,000,000	–	–	–	(3,000,000)	–
	06.12.2006	HK$3.102	28.12.2010	–	3,000,000	–	–	–	3,000,000
	25.01.2007	HK$2.60	28.12.2010	–	3,500,000	–	–	–	3,500,000
Employees	18.03.2002	HK$1.67	28.12.2010	1,973,600	–	(185,600)	(464,000)	–	1,324,000
	24.08.2005	HK$3.325	28.12.2010	1,000,000	–	–	–	–	1,000,000
	18.01.2006	HK$3.75	28.12.2010	6,100,000	–	–	(500,000)	(5,600,000)	–
	01.03.2006	HK$4.35	28.12.2010	1,000,000	–	–	–	(1,000,000)	–
	26.06.2006	HK$4.20	28.12.2010	–	1,000,000	–	–	(1,000,000)	–
	25.10.2006	HK$4.15	28.12.2010	–	5,500,000	–	–	(5,500,000)	–
	06.12.2006	HK$3.102	28.12.2010	–	15,850,000	–	(1,000,000)	–	14,850,000
	06.12.2006	HK$3.102	28.12.2010	–	1,000,000	–	–	–	1,000,000
	08.01.2007	HK$2.784	28.12.2010	–	600,000	–	–	–	600,000
	09.03.2007	HK$2.76	28.12.2010	–	400,000	–	–	–	400,000
				14,691,600	30,850,000	(185,600)	(1,964,000)	(16,100,000)	27,292,000

31. SHARE OPTION SCHEMES *(continued)*

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

2000 Option Scheme (continued)

				Number of options			
Category of grantee	**Date of grant**	**Exercise price per share**	**Expiry date**	**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	28.12.2010	4,154,000	–	(2,536,000)	1,618,000
	18.01.2006	HK$3.75	28.12.2010	–	3,000,000	–	3,000,000
Employees	18.03.2002	HK$1.67	28.12.2010	8,307,400	–	(6,333,800)	1,973,600
	24.08.2005	HK$3.325	28.12.2010	–	1,000,000	–	1,000,000
	18.01.2006	HK$3.75	28.12.2010	–	6,100,000	–	6,100,000
	01.03.2006	HK$4.35	28.12.2010	–	1,000,000	–	1,000,000
				12,461,400	11,100,000	(8,869,800)	14,691,600

Share options were exercised on 11 July 2006. The weighted average closing price of the Company's share immediately before the date on which the share options were exercised during such period at HK$4.30.

The options granted under the 2000 Option Scheme (except the 1 million options granted on 6 December 2006) vest as follows:

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

31. SHARE OPTION SCHEMES *(continued)*

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

2000 Option Scheme (continued)

The 1 million options granted under the 2000 Option Scheme on 6 December 2006 vest as follows:

On 1st anniversary of the date of grant	20% vest
On 2nd anniversary of the date of grant	Further 20% vest
On 3rd anniversary of the date of grant	Further 20% vest
The seven-month period after the 3rd anniversary of the date of grant	Remaining 40% vest

The Company considered the grant on 6 December, 2006 to be a replacement to the original options granted on 18 January 2006, 1 March 2006, 26 June 2006 and 25 October 2006, of share options amounting to 8,600,000, 1,000,000, 1,000,000 and 5,500,000, respectively.

The incremental fair value was in aggregate amounting to HK$3,537,420.

During the year ended 31 March 2007, options were granted on those dates: 26 June 2006, 25 October 2006, 6 December 2006 (general grantees), 6 December 2006 (1 million options), 8 January 2007, 25 January 2007 and 9 March 2007. The estimated fair values of the respective options granted on those dates are HK$1,276,000, HK$7,069,000, HK$17,137,000, HK$916,000, HK$472,000, HK$2,759,000 and HK$332,000.

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

							Valuation on modification date			
Grant date	**26 June 2006**	**25 October 2006**	**6 December 2006**	**8 January 2007**	**25 January 2007**	**9 March 2007**	**18 January 2006**	**1 March 2006**	**26 June 2006**	**25 October 2006**
Valuation date	**26 June 2006**	**25 October 2006**	**6 December 2006**	**8 January 2007**	**25 January 2007**	**9 March 2007**	**6 December 2006**	**6 December 2006**	**6 December 2006**	**6 December 2006**
Share price	HK$4.20	HK$4.15	HK$3.05	HK$2.70	HK$2.60	HK$2.76	HK$3.05	HK$3.05	HK$3.05	HK$3.05
Exercise price	HK$4.20	HK$4.15	HK$3.102	HK$2.784	HK$2.60	HK$2.76	HK$3.75	HK$4.35	HK$4.20	HK$4.15
Expected volatility	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%
Risk-free rate	4.65%	3.86%	3.56%	3.59%	3.88%	3.95%	3.56%	3.56%	3.56%	3.56%
Expected dividend yield	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Expected option life	4 years	4 years	4 years	4 years	4 years	4 years	4 years	4 years	4 years	4 years
Fair value per option	HK$1.2760	HK$1.2853	HK$0.9091(1) HK$0.9157(2)	HK$0.7868	HK$0.7882	HK$0.8292	HK$0.7089	HK$0.5960	HK$0.6205	HK$0.6371

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 10 years.

The Group and the Company recognised the total expense of HK$8,817,000 for the year ended 31 March 2007 (2006: HK$1,540,000) in relation to share options granted by the Company.

Notes: (1) fair value for 6 December 2006 (general grantees)

(2) fair value for 6 December 2006 (1 million options)

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 2005	680,000	525,000
Granted	115,000	–
Lapsed	(25,000)	(175,000)
At 31 March 2006, 1 April 2006 and 31 March 2007	770,000	350,000

The Company has assessed the fair value of the share options granted under the Subsidiary Share Option Schemes and considered it to be minimal.

32. RESERVES

	Share premium HK$'000	Properties revaluation reserve HK$'000	Share options reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
THE COMPANY					
At 1 April 2005	222,197	764	–	107,475	330,436
Profit for the year (Restated, see note 2)	–	–	–	662,149	662,149
Exercise of share options	5,943	–	–	–	5,943
Employee share option	–	–	1,540	–	1,540
Dividends	–	–	–	(479,367)	(479,367)
At 31 March 2006	228,140	764	1,540	290,257	520,701
Profit for the year	–	–	–	498,102	498,102
Exercise of share options	124	–	–	–	124
Conversion of preference shares	690,000	–	–	–	690,000
Employee share option	–	–	8,817	–	8,817
Dividends	–	–	–	(365,002)	(365,002)
At 31 March 2007	918,264	764	10,357	423,357	1,352,742

33. DEFERRED TAX

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

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
At beginning of the year	**311,151**	315,903	**2,789**	2,400
Exchange differences	**45**	–	**–**	–
(Credit) charge to income statement for the year	**(10,323)**	(4,752)	**(822)**	389
At end of the year	**300,873**	311,151	**1,967**	2,789

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**	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At beginning of the year	**92,585**	91,214	**237,273**	245,148	**329,858**	336,362
(Credit) charge to consolidated income statement for the year	**(9,449)**	1,371	**–**	(7,875)	**(9,449)**	(6,504)
At end of the year	**83,136**	92,585	**237,273**	237,273	**320,409**	329,858

Deferred tax assets	**Tax losses**		**Others**		**Total**	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At beginning of the year	**(14,043)**	(15,590)	**(4,664)**	(4,869)	**(18,707)**	(20,459)
Exchange difference	**45**	–	**–**	–	**45**	–
(Credit) charge to consolidated income statement for the year	**(2,158)**	1,547	**1,284**	205	**(874)**	1,752
At end of the year	**(16,156)**	(14,043)	**(3,380)**	(4,664)	**(19,536)**	(18,707)

33. DEFERRED TAX *(continued)*

THE GROUP *(continued)*

As at 31 March 2007, the Group had estimated unused tax losses of approximately HK$1,120,845,000 (2006: HK$1,080,906,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$92,324,000 (2006: HK$73,147,000) of such loss. No deferred tax asset has been recognised in respect of the remaining approximately HK$1,028,521,000 (2006: HK$1,007,759,000) due to the unpredictability of future profits streams. The expiry dates of these tax losses are as follows:

	2007 **HK$'000**	2006 HK$'000
Indefinite	**554,131**	472,206
Expiry in:		
2008	**–**	–
2009	**455,305**	497,291
2010	**111,409**	111,409
	1,120,845	1,080,906

As 31 March 2007, the Group had deductible temporary differences of approximately HK$721,210,000 (2006: HK$759,845,000) available for offset against future profits. A deferred tax assets has been recognised in respect of approximately HK$19,314,000 (2006: HK$26,652,000) of such temporary differences. No deferred tax assets has been recognised in respect of the remaining approximately HK$701,896,000 (2006: HK$733,193,000) as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

THE COMPANY

Deferred tax liabilities	**Accelerated tax depreciation** **2007** **HK$'000**	 2006 HK$'000
At beginning of the year	**11,807**	11,144
Charge to income statement for the year	**670**	663
At end of the year	**12,477**	11,807

33. DEFERRED TAX *(continued)*

THE COMPANY *(continued)*

Deferred tax assets	**Tax losses**		**Others**		**Total**	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
At beginning of the year	**(8,984)**	(8,710)	**(34)**	(34)	**(9,018)**	(8,744)
Credit to income statement for the year	**(1,492)**	(274)	**–**	–	**(1,492)**	(274)
At end of the year	**(10,476)**	(8,984)	**(34)**	(34)	**(10,510)**	(9,018)

As at 31 March 2007, the Company had estimated unused tax losses of approximately HK$59,868,000 (2006: HK$51,364,000) available for offset against future profits that may be carried forward indefinitely. A deferred tax asset has been recognised in respect of such loss for both years as in the opinion of Directors, the future profit stream are predictable.

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**	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Deferred tax liabilities	**304,887**	314,723	**1,967**	2,789
Deferred tax assets	**(4,014)**	(3,572)	**–**	–
	300,873	311,151	**1,967**	2,789

34. CONTINGENT LIABILITIES

The Group

(a) Pending litigations

As at 31 March 2007, 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.

Other than the provision for legal and professional expenses included in accrued charges amounting to HK$85,238,000 (2006: HK$52,961,000) in note 26, the Directors are of the opinion that the claim can be successfully defended by the Group.

(b) Guarantee received

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

The Company

(c) Guarantees given

As at 31 March 2007, the financial guarantees given to banks in respect of banking facilities utilised by its fellow subsidiaries amounted to approximately HK$70,305,000 (2006: HK$125,360,000), of which HK$215,000 (2006: HK$35,000) remained unamortised and was included as a current liability in the balance sheet.

35. COMMITMENTS

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

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Authorised but not contracted for	**15**	140	**–**	–
Contracted but not provided for	**8,869**	91,791	**–**	–
	8,884	91,931	**–**	–

(b) Commitments under operating leases

The Group as lessee

At 31 March 2007, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2007			2006		
	Properties	**Plant and equipment**	**Total**	Properties	Plant and equipment	Total
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000
Within one year	**4,377**	**7,204**	**11,581**	4,494	9,631	14,125
In the second to fifth years inclusive	**894**	**5,917**	**6,811**	2,039	7,354	9,393
	5,271	**13,121**	**18,392**	6,533	16,985	23,518

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of 2 years and rentals are fixed during the lease period.

Operating lease payments represented rental payable by the Group for certain of its plant and equipment leases are negotiated for an average term of 3 years.

35. COMMITMENTS *(continued)*

The Group as lessor

Rental income earned during the year was HK$1,564,000 (2006: HK$1,628,000). 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:

	2007 **HK$'000**	2006 HK$'000
Within one year	**1,047**	971
In the second to fifth year inclusive	**195**	318
	1,242	1,289

36. 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	
	2007 **HK$'000**	2006 HK$'000
Short-term benefits	**20,081**	15,862
Share-based payments	**2,016**	381
	22,097	16,243

There are no other related party transactions for the year ended 31 March 2006 and 31 March 2007.

37. MAJOR NON-CASH TRANSACTION

During the year, a subsidiary of the Group entered into a finance lease arrangement in respect of plant and equipment with a total capital value at the inception of the leases of HK$2,091,000 (2006: Nil).

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company at 31 March 2007 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	British Virgin Islands/ Hong Kong	11,000 ordinary shares of US$1 each	100	Holding of masthead and publishing rights of magazines
FACE Magazine Limited (Formerly known as Easy Finder Limited)	Hong Kong	10,000 ordinary shares of HK$1 each	100	Publication and selling of magazines
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 magazine 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

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
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, contents 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.

FIVE YEARS FINANCIAL SUMMARY

For the year ended 31 March 2007

	Year ended 31 March				
	2003 HK$'000	2004 HK$'000	2005 HK$'000	2006 HK$'000	**2007** **HK$'000**
RESULTS					
Revenue	2,150,072	2,437,109	2,932,172	3,322,024	**3,245,163**
Profit (loss) attributable to equity holders of the parent	367,552	(89,920)	104,257	440,766	**344,435**
Minority interests	–	–	–	–	**(2,022)**
Profit (loss) for the year	367,552	(89,920)	104,257	440,766	**342,413**

	As at 31 March				
	2003 HK$'000	2004 HK$'000	2005 HK$'000	2006 HK$'000	**2007** **HK$'000**
ASSETS AND LIABILITIES					
Total assets	4,186,758	4,422,706	4,428,379	4,484,787	**4,601,427**
Total liabilities	(794,351)	(1,095,705)	(941,547)	(1,085,190)	**(1,244,604)**
	3,392,407	3,327,001	3,486,832	3,399,597	**3,356,823**
Equity attributable to equity holders of parent	3,390,082	3,325,001	3,484,772	3,397,537	**3,356,785**
Minority interests	2,325	2,000	2,060	2,060	**38**
	3,392,407	3,327,001	3,486,832	3,399,597	**3,356,823**