BALANCE • GROWTH

ANNUAL REPORT 07|08

NEXTmedia

NEXT MEDIA LIMITED

STOCK CODE : 282

about us

Next Media is the largest Chinese-language print media publishing group in Hong Kong, where our titles include one of the city's leading dailies and five of its top-selling weekly magazines. In addition, we publish one of the Taiwan's most popular dailies, as well as its best-selling weekly magazine.

mission & vision

The success of our publications has been built on our unswerving dedication to providing our readers with comprehensive and forthright coverage of issues that influence their lives. They know they can rely on us to give them the facts without fear or favour and without political or commercial bias.

Business Review

Financial Report

unity

At Next Media, we believe in keeping our finger on the pulse of the communities in which we operate. That way, our publications help their readers to stay in touch with the community where they live, and bring people closer together.

+7.4%

revenue for the year

diversity

Each of our titles has won its leadership status in its respective market by focusing on presenting lively, comprehensive and in-depth specialised coverage of the topics that particularly interest its readers.

+32.4%

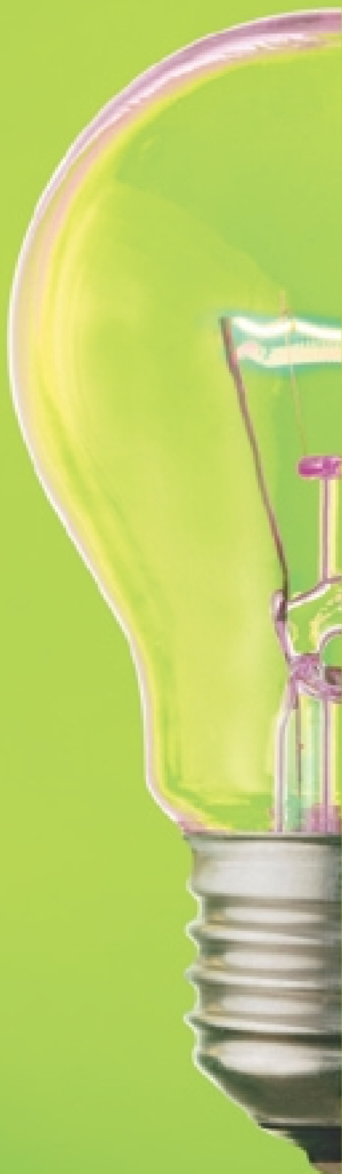
EBITDA for the year

initiative

Next Media never stands still. We firmly believe in proactively taking the initiative to stay abreast of constantly evolving market trends, as well as the changing interests and aspirations of our readers.

+52.2%

net profit for the year



ideas

We constantly incorporate fresh ideas and new concepts into our publications. These serve to strengthen their appeals and broaden the horizons of their readers.

+22.2%

basic earnings per share

insight

By continuously giving our readers new insights, we seek to increase their awareness about the topics that concern them. In this way, we help them to expand their knowledge and enrich their lives.

1,446,000

average daily readership of *Apple Daily*

clarity

Using eye-catching layouts and vibrant journalism, we aim to present the facts in an interesting and clear-cut way style that simultaneously informs and entertains our readers.

2,731,000

average daily readership of *Taiwan Apple Daily*

experience

Next Media has one of the strongest and most experienced teams in the industry. Their abilities are reflected in the outstanding quality of all our publications.

1,960

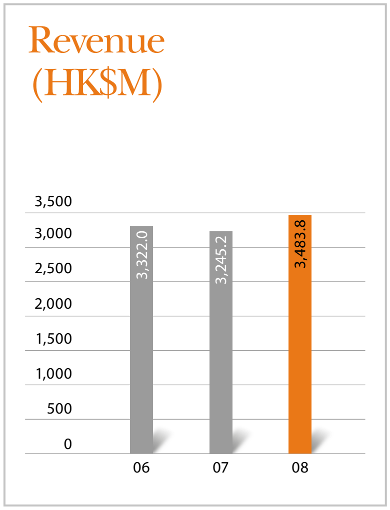
number of staff in Hong Kong

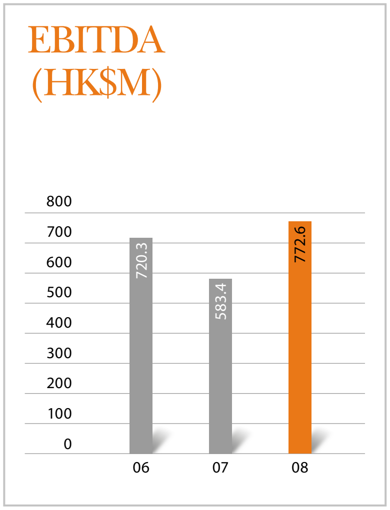
talent

At the same time, we constantly open up fresh opportunities for further growth by recruiting and retaining the best available talent. We believe in showing respect to our employees and rewarding them fairly.

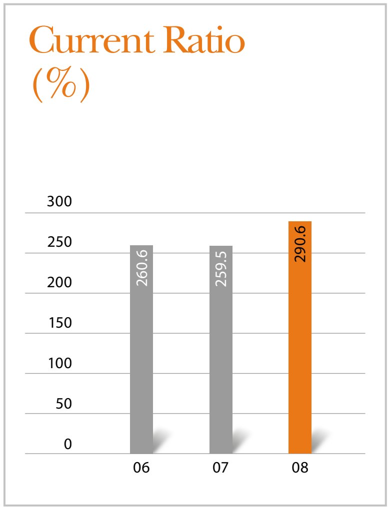
1,717

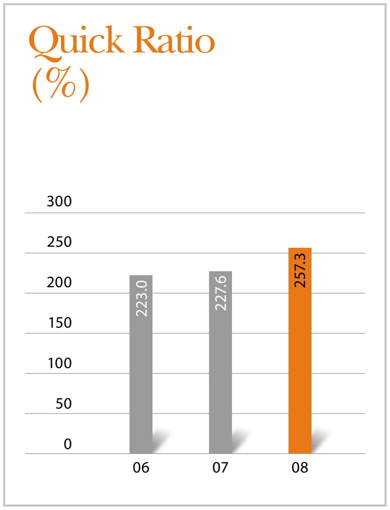
number of staff in Taiwan



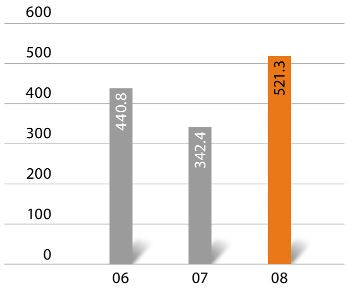


financial highlights

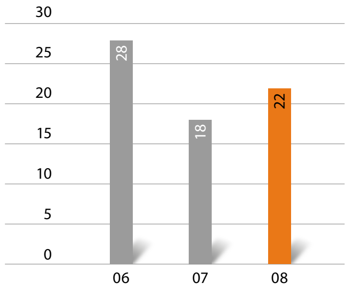




Net Profit for the Year (HK$M)



Basic Earnings per Share (HK cents)



REVENUE

3,483.8 million

NET PROFIT FOR THE YEAR

521.3 million

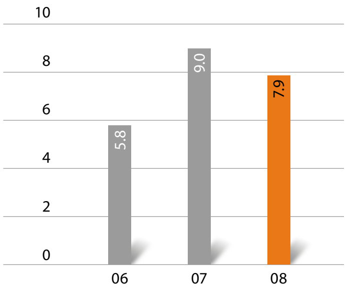
EBITDA

772.6 million

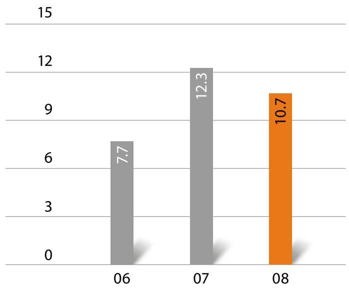
BASIC EARNINGS PER SHARE

HK22.0 cents

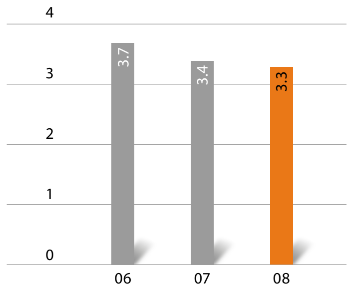
Gearing Ratio (%)



Debt to Equity Ratio (%)



Working Capital Turnover



chairman's statement

SUCCESS ON ALL FRONTS

I have pleasure in reporting Next Media's financial results for the year ended 31 March 2008. As you will see in the following pages, these reflect a healthy increase in our revenue and an even more impressive improvement in our profitability.

The Group's Taiwan operations continued to be the main driving force behind the growth in our profitability. The spectacular successes our publications have achieved on the island over the past seven years validate the wisdom of our decision to expand the geographical scope of our business beyond Hong Kong, where its potential for future growth has been constrained by the market's maturity and competitive nature, as well as the proliferation of free dailies, the Internet's growing popularity and other forms of new media.

Taiwan Next Magazine immediately broke the mould of the island's media industry when it was launched in May 2001. Its lively and outspoken style fulfilled an unsatisfied need among Taiwan's 23 million people for a magazine that delivered objective information in an attractive and reader-friendly way. *Taiwan Next Magazine's* sales have soared phenomenally, and it has quickly become the island's best-selling and most-widely-read weekly, a position it continued to hold by a towering lead during this financial year. In fact, the magazine sold an average of 114,683 copies every week in the second half of 2007, and its average weekly readership grew to 1,414,000 during the year. These impressive figures further strengthened its attractiveness among major local advertisers, whose support has enabled it to maintain its unbroken record of profitability since 2004.

This success has been equalled, indeed surpassed, by the stunning performance of *Taiwan Apple Daily*. The newspaper has completely transformed the Taiwan media industry since the first issue rolled off the presses in May 2003. *Taiwan Apple Daily's* incisive journalism and attention-grabbing appearance came as a gust of fresh air to the island's public, who were hungry for a new and exciting daily source of information as an alternative to the biased reporting and dull and outmoded presentational styles of its existing newspapers, which were controlled and influenced by the views of powerful business and political interests.

By satisfying this hunger and establishing a new distribution model by selling nearly all its copies directly to readers via convenience stores, *Taiwan Apple Daily* has rapidly outpaced almost all its rivals to achieve an average daily readership of 2.7 million in 2007. This means it has become Taiwan's most widely read newspaper within four years. At the same time, its average daily sales of 515,618 copies during the second half of the same year placed it just a sliver behind the market leader, *The Liberty Times*. *Taiwan Apple Daily's* enormous popularity continued to enable it to increase its advertising sales, resulting in a further strengthening of its profitability for the second consecutive financial year.

Furthermore, we increased our presence and our brand in the market by launching *Sharp Daily* in October 2006. An average of 176,659 copies of the Group's first free title were distributed to commuters in metropolitan Taipei every day from Monday to Friday during the second half of 2007. The enthusiastic response *Sharp Daily* has received – especially from younger readers and smaller local advertisers – has resulted in the rapid growth of its cash flow, and confirms that the title's launch has been a successful strategic move.

SOLID FOUNDATIONS FOR THE FUTURE

Despite the island's political uncertainties and the disappointing performance of its economy in recent years, the Group has quickly made tremendous inroads into the Taiwan media market. Moreover, both *Taiwan Apple Daily* and *Taiwan Next Magazine* have achieved profitability and captured leadership positions in their respective categories during a very brief space of time. Our successes to date and the solid foundations these have created fully convince us that vast potential still exists for us to build their circulation revenues and advertising income further in the future.

This potential will grow even stronger if – as widely expected – the recent elections of a new president and government on the island are followed by improved relations with the Mainland and resurgence in local business sentiment. We firmly believe Taiwan's economic fundamentals remain strong, and that the island will adhere to its traditions of democracy and free speech. The appeal of our publications among readers and advertisers is bringing the Group ever closer to realising our vision of deriving equal amounts of revenue from Taiwan and Hong Kong.

STABLE GROWTH IN A FAVOURABLE ENVIRONMENT

In Hong Kong, our five highly popular weekly magazines – each of which enjoys leadership status in its respective category – together with *Apple Daily*, the city's No. 2 newspaper, put Next Media in an unassailable position as one of the city's foremost print media publishing groups. They also form a stable source of income, accounting for more than half of our total revenue. Despite the market's mature nature, and the fierce competition from their rivals, which include free dailies and online media, our Hong Kong publications achieved satisfactory increases in their sales and advertising income during the 2007/08 financial year. The decisive factors behind this ongoing success were the loyalty of their readers and advertisers, as well as the stable and steady growth we witnessed in the local economy.

But we never take our competitive advantages for granted, and we never assume that they will continue indefinitely. Our strategy will always be one of constant improvement. In the future, as in the past, we will go all out to provide exciting, informative and ever-better publications for our readers and advertisers in Hong Kong.

PRUNING THE BRANCHES TO STRENGTHEN THE TREE

We accept the undeniable fact that our ability to increase our revenue will not strengthen our bottom line if we allow our costs to run out of control. Next Media has always believed in hiring the best and brightest people in the industry, and compensating them fairly. We have also made it a matter of principle to invest in all the resources they need in order to perform their jobs in an exceptional way.

At the same time, we monitor our operating expenses carefully. This policy was intensified during the year under review, when we identified and took a number of measures to curb our costs and reduce them wherever possible. The effectiveness of these initiatives can be clearly seen in the results for 2007/08, especially the rebound in the Group's profitability, which attained the highest level we have seen for the past years.

The recovery we expect in Taiwan's economy and the ongoing improvement in Hong Kong's business environment – the very factors that make us more optimistic about the Group's future prospects – are also capable of undermining our success by increasing operating costs. We will therefore continue to keep a close watch on them, and take resolute action to mitigate them. In this way, we will strengthen our position to maintain Next Media's growth into the future.

In conclusion, I would like to emphasise that the Group's remarkable performance during 2007/08 was due to the hard efforts, initiative and dynamism of the excellent teams we have in Hong Kong and Taiwan. The loyalty shown by our readers, advertisers and shareholders was another major factor that made it possible. On behalf of my fellow directors and myself, I would like to extend my heartfelt thanks to all of you. We will continue to strive to reward the trust that you have vested in us.

Jimmy Lai
Chairman

management discussion and analysis

Next Media's operations in Hong Kong and Taiwan achieved satisfactory overall results during the year ended 31 March 2008. Despite strong competition, the Group maintained its leading status in the Hong Kong media industry while further strengthening its position in Taiwan.

Mindful of their impact on the bottom line, the Group adopted a policy of maintaining careful vigilance over its costs, and it seized every opportunity to control and reduce these effectively wherever possible. This strategy, coupled with an aggressive policy of maximising its circulation and income sales revenue, enabled the Group to increase its total profit for the year to HK$521.3 million. This figure was 52.2 per cent higher than the previous year's figure of HK$342.4 million, and it was the best result that the Group has achieved since it acquired Database Gateway Limited in October 2001.

Operational Review

OVERVIEW OF MAJOR MARKETS

Hong Kong

The continued strengthening of Hong Kong economy in the year under review provided a favourable backdrop for the Group's operations there. In particular, this economic growth stimulated a boom in consumer spending and retail sales.

Eager to leverage on the opportunities created by this trend, businesses in every category increased their advertising budgets, especially during the second half of the year. Naturally, every publisher competed keenly to secure a share of this greater outlay. However, Next Media's position as one of the city's largest Chinese-language media groups and the owner of many of its most widely read publications put it in an advantageous position to attract around 5.3 per cent more advertising sales income from its Hong Kong's publications than it achieved in the previous year.

style

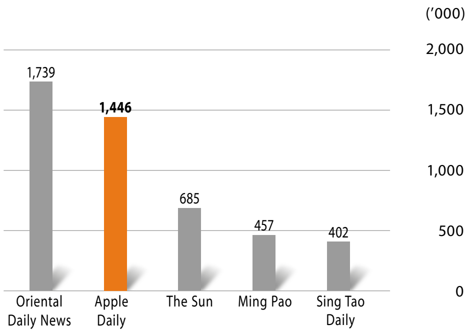
Although it is a Chinese city, Hong Kong has a cosmopolitan blend of many Eastern and Western cultures, as well as a uniquely pulsating atmosphere and an ability to adapt to rapid change.

style

Taiwan's society lives on the cutting edge of modern technology; yet the island also has a strongly Chinese character that is combined with the age-old customs of its indigenous people.

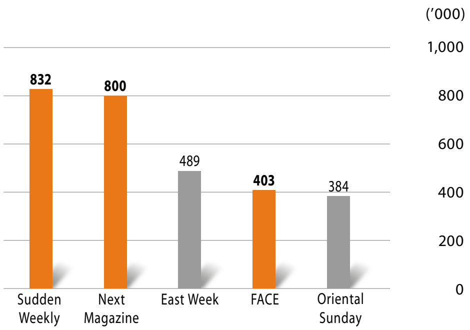
Top Five Newspapers' Readership in Hong Kong

Jan – Dec 2007



Top Five Chinese Weekly Magazines' Readership in Hong Kong

Jan – Dec 2007



Source: 2007 Nielsen Media Index: Hong Kong Report

Meanwhile, the city's two major dailies, including *Apple Daily*, extended their dominant positions in the newspaper market. Their combined average daily readership of 3,185,000 in 2007 accounted for 60.3 per cent of all Hong Kong newspaper readers aged 12 and above, a 9.1 per cent increase on the 2006 figure[1].

Apple Daily's readership rose by 13.4 per cent and its share of the newspaper market grew by 3.6 per cent during 2007, despite heightened competition resulting from the proliferation of free dailies in the market. Moreover, the newspaper remained a firm favourite among major advertisers. Buoyed by the positive business environment, its advertising revenue increased steadily.

Each of the Group's other Hong Kong publications – *Next Magazine*, *Sudden Weekly Bundle* (incorporating *Sudden Weekly*, *Eat and Travel Weekly and ME!*), *FACE Bundle* (*FACE*, formerly *Easy Finder*, bundled with *Auto Express* and *Trading Express* and *Ketchup*) – fended off determined competition from their rivals and the growing popularity of online media in order to maintain their positions as the favourite magazines of readers in each of their respective markets. These titles accounted for three of Hong Kong's five top-selling weeklies, and they enjoyed a combined averaged weekly readership of 2,035,000, which was equal to 38.5 per cent of all the city's magazine readers aged over 12[1].

Taiwan

Taiwan continued to live up to its reputation as a dynamic and open society in which different ideas are freely expressed and keenly debated. This was especially true in the run up to the fiercely contested legislative and presidential elections, which were held in January and March 2008, respectively.

The island's social vibrancy is underpinned by its freedom of speech and free press. However, the reporting and presentational styles of its media were dominated by a strong conservative tradition for many years, and their objectivity was curtailed by the influence of powerful political and business interests over their proprietors.

The launch of *Taiwan Next Magazine* and *Taiwan Apple Daily* in 2001 and 2003 respectively, had a resounding impact on Taiwan's print media industry. Their brand of investigative and plain-spoken journalism, their presentation of the facts to readers in a no-nonsense way and their exciting and colourful layouts were of course already familiar hallmarks of the Hong Kong media. But they came as a revelation to the public in Taiwan, where they instantly became popular with a public that was hungry for unbiased information conveyed in a straightforward manner. Many of the island's existing publishers have since made efforts to revamp their titles in order to compete with these lively newcomers on the scene.

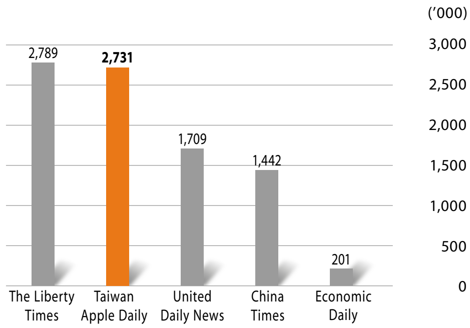
In 2007, the island's top four daily newspapers (*Taiwan Apple Daily*, *China Times*, *The Liberty Times* and *United Daily News*) were read by an average of 8,671,000 people every day, the equivalent of 49.9 per cent of its entire population aged over 12[3]. *Taiwan Apple Daily* has successfully soared in popularity during the past four years to make it one of Taiwan's most popular dailies.

Meanwhile, *Taiwan Next Magazine* kept its status as the island's best-read weekly by a long lead. It was seen by an average of 1,414,000 readers aged over 12 every week during 2007, 45.2 per cent more than its closest competitor[3].

Sharp Daily continued to increase its appeal among readers and advertisers alike. The Group launched this free newspaper in October 2006, and during the second half of 2007 an average of 176,659 copies were handed out to commuters at Taipei Rapid Transit subway stations every morning between Monday and Friday[4].

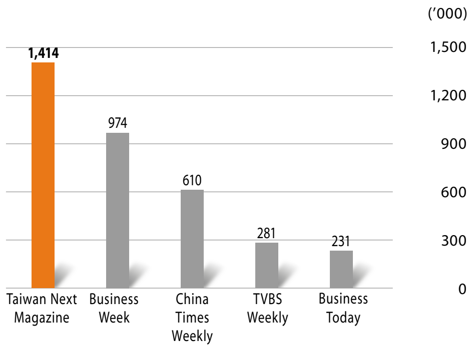
Top Five Newspapers' Readership in Taiwan

Jan – Dec 2007



Top Five Chinese Weekly Magazines' Readership in Taiwan

Jan – Dec 2007



Source: Media Index, Nielsen Media Research, Taiwan

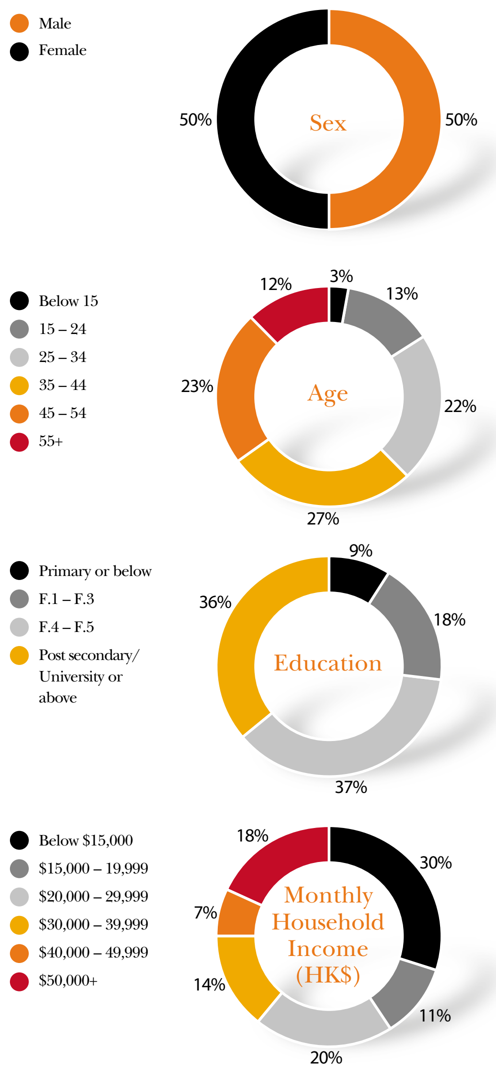
flavours

Renowned as one of the world's greatest gastronomic centres,
Hong Kong offers traditional Chinese cuisines,
contemporary Western dishes, and delicacies from every other part of Asia.

flavours

Taiwan is a culinary melting pot, where local influences mingle
with the flavours of China and variety of new tastes that
have been concocted by its own innovative master chefs.

Readership Profile of *Apple Daily*



Source: 2007 Nielsen Media Index: Hong Kong Report

On the other hand, Taiwan's economy continued to perform in a lacklustre way in the 12 months up to 31 March 2008. The measures that the government had been expected to implement in order to create a feel good factor before the elections never materialised. The mediocre business environment was reflected by the spending of advertisers on the island, which remained relatively unchanged. Even so, the undeniable attractiveness of the readerships of Next Media's Taiwan publications enabled them to achieve a 9.7 per cent increase in their combined advertising revenues during the year. This – together with the comprehensive and effective measures the Group took to reduce its costs there – accounted for a substantial 128.6 per cent growth in the profitability of its Taiwan's publications.

BUSINESS PERFORMANCE

The Group's revenue totalled HK$3,483.8 million, which was 7.4 per cent higher than the figure of HK$3,245.2 million for the preceding 12 months. This was mainly attributable to the remarkable performances of *Taiwan Apple Daily* and the printing business.

Newspapers Publication and Printing Division

The Newspapers publication and Printing Division continued to account for the largest proportion of the Group's entire revenues in the 2007/08 financial year. During the year, the Division's revenue totalled HK$2,449.5 million, an increase of 7.5 per cent on the HK$2,277.7 million achieved in the previous year.

Apple Daily

Apple Daily continued to enjoy the second-largest readership among all Hong Kong's daily newspapers. In the year ended 31 December 2007, it was read by a daily average of 1,446,000 readers aged 12 and over, an increase of 13.4 per cent on the figure of 1,275,000 for the previous year[1]. As a result, *Apple Daily's* share of the total daily newspaper market grew from 23.0 per cent to 27.0 per cent. Its circulation sales also rose by 2.4 per cent to an average of 305,896 copies per day during the second half of 2007, compared with 298,777 copies in the same period of 2006[2].

Meanwhile, research by Nielsen Media revealed that the demographic profile of *Apple Daily's* readership was higher than that of the most popular daily, in terms of its educational and career status and personal and household incomes. In addition, the quality of the newspaper's contents and its neutral political stance ensured the continued loyalty of its readers, particularly those with higher educational qualifications, despite strong competition from free dailies, price cuts by other newspapers, and the growing popularity of online news sources.

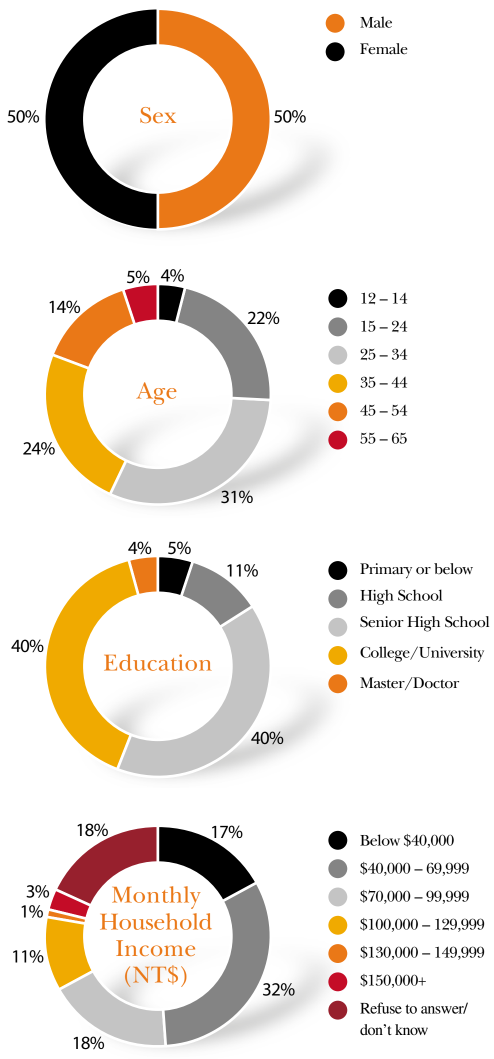
In the year under review, *Apple Daily's* revenue amounted to HK$1,079.4 million, an increase of 3.1 per cent on the previous year's figure of HK$1,047.3 million. Circulation income accounted for HK$410.9 million of this figure, an increase of 3.8 per cent on the HK$395.8 million recorded during the previous year. Hong Kong's thriving economy drove a steady rise in the newspaper's advertising income, which grew to HK$668.5 million, a 2.6 per cent more than the previous year's figure of HK$651.5 million.

The Group remains confident that *Apple Daily* will continue to be one of its most important revenue sources in the coming years, especially in view of the loyalty of its readers and the attractiveness of their demographic profile among Hong Kong's major advertisers, who will continue to regard it as an essential tool for marketing high-quality products and services in Hong Kong and further afield.

Taiwan Apple Daily

Taiwan Apple Daily's impartial and plain-talking editorial style, combined with its eye-catching and colourful layout, has had a spectacular effect on the island's media industry ever since it was launched in May 2003. From day one, *Taiwan Apple Daily* broke the mould by demonstrating that it was up to the task of satisfying the enormous hunger for news and catering to the demand for free expression of different viewpoints that are important features of Taiwan's open and democratic society.

Readership Profile of *Taiwan Apple Daily*



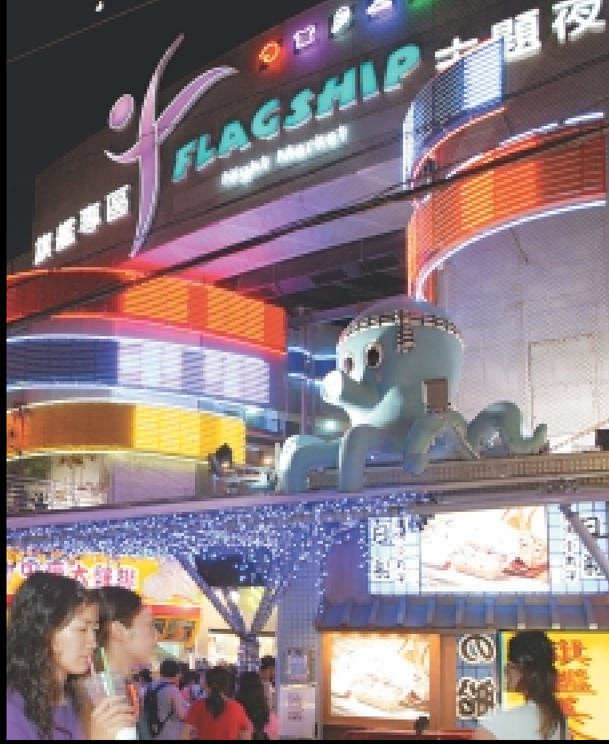
Source: Media Index, Nielsen Media Research, Taiwan

living

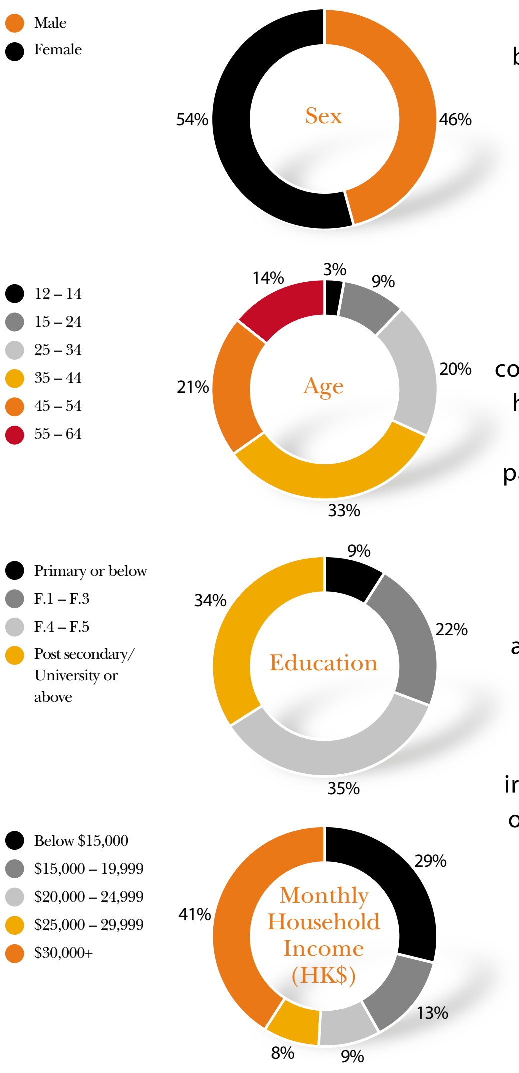
Hong Kong's large population is accommodated in homes that range from high-end luxury residences to subsidised public housing estates. Its compact land area means that everything is within easy reach – from vibrant entertainment venues, shops and restaurants to restful country parks and beaches.

living

Taiwan's varied landscape offers its residents plentiful living space – from modern cities to small farming communities and scenic mountain resorts.
Each of the island's communities is unique and possesses its own political ethos.



Readership Profile of *Next Magazine*



Source: 2007 Nielsen Media Index: Hong Kong Report

The newcomer first startled and then captivated the island's public, who had long been accustomed to obtaining information from newspapers that were usually the mouthpieces of vested political and business interests, and which packaged the news in a stuffy and pedestrian format which lagged years behind the developments that had been taking place in the media industry in other Asian markets. This absence of innovation was also reflected in the way that newspapers were distributed in Taiwan. Many readers bought (and continue to buy) them on a subscription basis, and they read whatever is delivered to them without paying heed to the alternatives that are available.

Taiwan Apple Daily challenged the island's traditional newspaper delivery model as well. Fully confident that its distinctive look would easily catch the public's attention, it focused on selling most of its print run in 24-hour convenience stores and similar retail outlets. This strategy made the newspaper highly visible to passers-by right around the clock. It encouraged them to buy personal copies on a daily basis, instead of waiting to receive dog-eared passed-on issues of other publications from family members who happened to subscribe to them.

The content, style and easy availability of *Taiwan Apple Daily* have made it enormously popular. In just four years, it has leapt up the island's circulation and readership leagues. The newspaper sold a daily average of 515,618 copies during the second half of 2007, keeping it just a hair's breadth behind the long-established bestselling *The Liberty Times*. However, its effervescent appearance made the copies displayed in coffee shops and other venues irresistible to their customers, and many people have also developed the habit of passing copies on to others. These factors helped to give *Taiwan Apple Daily* an average daily readership of 2,731,000 people aged over 12 during 2007, a 6.1 per cent increase on the figure of 2,574,000 in the previous year and well ahead of the daily readership of *United Daily News*, its closest competitor, of 1,022,000[3].

Yet it must be added that Taiwan's business environment remained relatively unimpressive during 2007/08. Hoped-for measures by the government to spur its economy failed to materialise and advertisers were reluctant to raise their budgets. Despite this, *Taiwan Apple Daily* did manage to augment its advertising income, which grew to HK$822.0 million, a considerable increment of 11.3 per cent on the previous year's figure of HK$738.3 million.

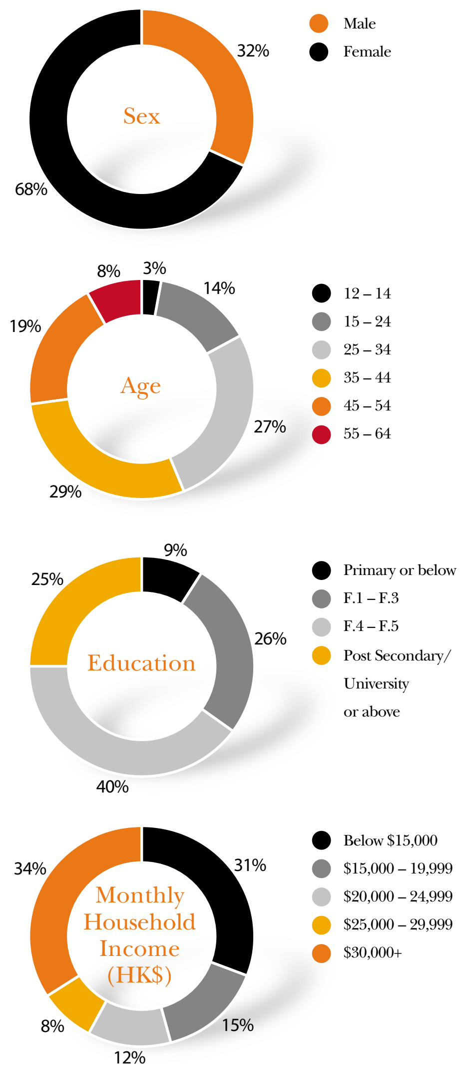
The combination of such increases in circulation and advertising income accounted for a rise of 7.8 per cent in *Taiwan Apple Daily's* total revenue. However, its management's perseverance in containing and reducing its costs yielded a substantial improvement in the newspaper's profitability, which grew by a substantial 169.2 per cent, up from HK$69.4 million to HK$186.8 million, during the year.

In October 2006, the Group further bolstered its presence in Taiwan by launching *Sharp Daily*, a free newspaper that is distributed to travellers at Taipei's Rapid Transit subway stations every morning from Monday to Friday. Its popularity throughout the metropolitan area enabled it to increase its distribution figures steadily, from a daily average of 156,872 copies in the first half of 2007 to 176,659 copies during the second half[4]. Besides its avid readers, *Sharp Daily* enjoyed strong support from its advertisers, most of whom are smaller local companies which cannot afford the high cost of island-wide advertising campaigns, and which see it as an indispensable tool for reaching a prime audience in its biggest city. These trends have already put *Sharp Daily* on the road to profitability, and they auger well for its ongoing success.

Apple Daily Printing Limited

The Group's newspaper printing business scored good results in a competitive market during the year. Revenue from all its Hong Kong printing operations grew to HK$445.5 million, a rise of 13.0 per cent on the previous year's figure of HK$394.4 million.

Readership Profile of *Sudden Weekly Bundle*



Source: 2007 Nielsen Media Index: Hong Kong Report

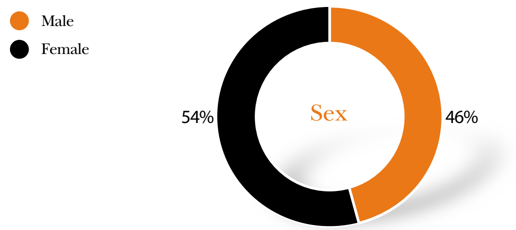
motion

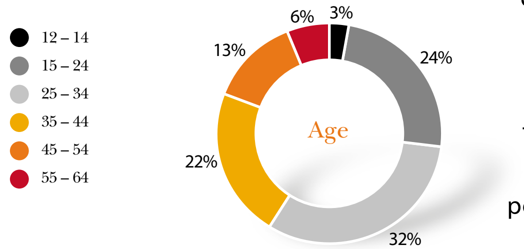
Famous as a place that never sleeps, Hong Kong maintains a fast tempo and
reacts rapidly to the latest trends in the world surrounding it.
Its residents gain equal pleasure from participating in traditional festivals and
the international tournaments and events that the city hosts.

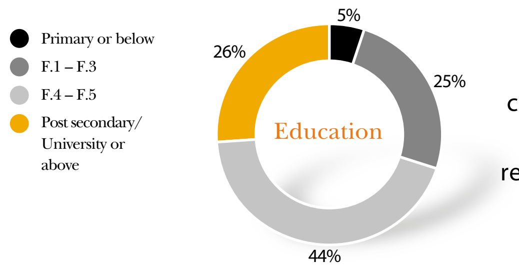
motion

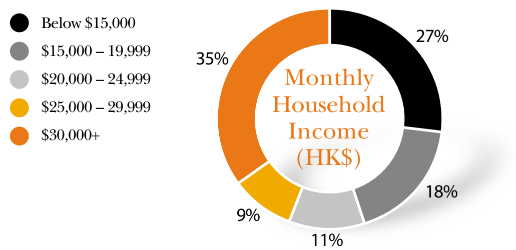
Besides their bustling commercial activity, Taiwanese cities like Taipei have a colourful entertainment life. The island's people are deeply into local and global culture, they avidly follow current affairs, and they have a strong sense of political commitment.

Readership Profile of *FACE Bundle*









Source: 2007 Nielsen Media Index: Hong Kong Report

Excluding transactions related to printing Next Media's own publications, Apple Daily Printing Limited's revenue amounted to HK$164.1 million during the 2007/08 financial year, which was 47.6 per cent higher than its revenue of HK$111.2 million in the preceding financial year. Much of this growth was attributable to its contracts to print the city's free dailies and an increasing amount of business undertaken for other external customers.

Books and Magazines Publication Division

The Books and Magazines Publication Division continued to make a sizeable contribution to the Group's income. Its total revenue of HK$872.7 million during the year under review was 4.8 per cent higher than the previous year's figure of HK$833.0 million.

Next Magazine

The readership and profitability of *Next Magazine* both increased significantly during the financial year ended 31 March 2008. The title held on to its No. 2 position in the weekly magazine market, and the superior demographic profile of its readers ensured its unceasing attractiveness to advertisers.

The magazine's average weekly readership among people aged 12 and over increased to 800,000 in 2007. This was a huge increase of 256,000 or 47.1 per cent more than the figure of 544,000 for the previous year, and it gave the title a 15.0 per cent share of the weekly magazine market[1]. Even so, its sales remained fairly static, averaging 120,628 copies during the second half of 2007, compared with 121,924 in the same period of 2006[2].

The quality of *Next Magazine's* male and female readers also remained well above average. The percentage of its readers in the 35-64 age group, who possessed a tertiary education, and who enjoyed monthly household incomes exceeding HK$30,000 and monthly personal incomes exceeding HK$20,000 was the highest among Hong Kong's five best-selling weekly magazines.

Advertisers continued to regard *Next Magazine* as an essential vehicle for informing well-educated, affluent, professionals and managers about their products and services. This was reflected in the modest growth of its advertising revenue, which amounted to HK$178.6 million during the 2007/08 financial year, a figure that was 1.7 per cent higher than the previous year's total of HK$175.6 million.

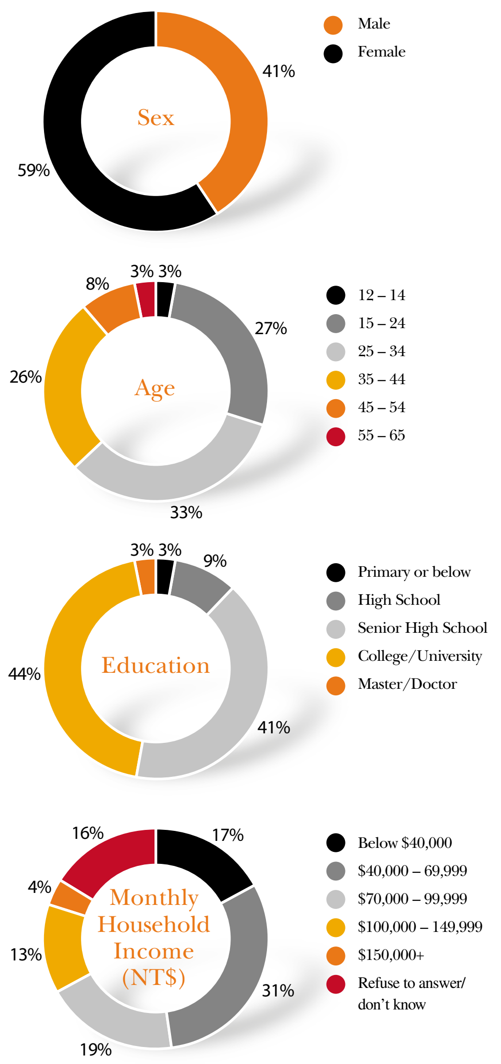
Finally, *Next Magazine's* management undertook a comprehensive root-and-branch review of its operating costs during the year. It was able to trim these considerably as a result of this exercise, thereby increasing the magazine's net profitability by an impressive 112.6 per cent to HK$62.3 million, compared with HK$29.3 million in the last financial year.

Sudden Weekly Bundle

Informative and entertaining content and savvy marketing strategies enabled *Sudden Weekly Bundle* to extend its leading edge among its predominantly female target readership and underpinned its status as Hong Kong's most popular weekly magazine during 2007. Incorporating *Sudden Weekly*, *Eat and Travel Weekly* and *ME!*, the title saw its weekly readership leap to an average of 832,000 people aged 12 and above, a rise of 25.9 per cent on the previous year's 661,000[1]. Meanwhile, its average weekly sales in the second half of the year reached 200,168 copies, which was 6.5 per cent up on the figure of 187,947 for the corresponding months in 2006[2].

The inclusion of *ME!* – an upmarket magazine directed at higher-income females and office ladies – in *Sudden Weekly Bundle* since December 2006 has served to heighten its appeal and elevate its readers' demographic profile. As a result, it is now read by a greater percentage of people aged 35-44 and more individuals with a tertiary education than any of Hong Kong's four other best-selling weeklies except *Next Magazine*. Furthermore, 24.9 per cent of its readers have a monthly personal income of over HK$15,000, and 40.4 per cent of them live in households with a total income exceeding HK$25,000.

Readership Profile of *Taiwan Next Magazine*



Source: Media Index, Nielsen Media Research, Taiwan

These factors considerably reinforced *Sudden Weekly Bundle's* image among advertisers, which was reflected by a 24.0 per cent leap in its advertising income to HK$172.7 million during the 2007/08 financial year, compared with the previous year's HK$139.3 million. Its circulation income also rose by 14.8 per cent, primarily as a result of a cover price adjustment from HK$10.0 to HK$12.0 implemented in October 2007. As a result, the title's revenue grew by 20.9 per cent, up from HK$210.1 million in the 2006/07 financial year to HK$254.1 million this year.

FACE Bundle

Easy Finder entered a new chapter in its history as Hong Kong's most popular youth-oriented weekly when it underwent a complete makeover and was renamed *FACE* in May 2007. This aimed to give it a new, more sophisticated and attractive look that would serve to increase its appeal among affluent young adult readers and advertisers alike.

The repositioned publication maintained its status as one of Hong Kong's top five weeklies. It enjoyed an average weekly readership of 403,000 people during 2007, a 10.1 per cent more than the figure of 366,000 for *Easy Finder Bundle* in 2006[1]. Meanwhile, its average weekly sales figure in the second half of the year remained static and stood at 95,699 copies, compared with the figure of 98,317 copies in the corresponding period of 2006[2].

Among its readers in 2007, 24.3 per cent were aged 15-24, while 32.3 per cent were aged 25 to 34. In addition, 22.1 per cent of them had a monthly personal income exceeding HK$20,000, and 35.8 per cent lived in households with a total monthly income of over HK$30,000. These statistics reflect the publication's success in reaching out to its new, more prosperous target market.

The cover price of *FACE Bundle* was reduced by HK$5.0 from HK$10.0 to HK$5.0 in November 2006, and it was increased by HK$3.0 to HK$8.0 during November 2007. As a result of these cover price adjustments and the slight dip in its sales, the magazine's circulation income was 26.4 per cent lower than in the previous year. However, the reduction in the circulation income of *FACE Bundle* was partially set off by the slight increase of 2.8 per cent in its advertising revenue, savings in production costs and other expenses it incurred. Taking all these factors into account, the total revenue of *FACE Bundle* declined by 4.4 per cent to HK$114.9 million for this year, compared with HK$120.2 million recorded in the previous year.

Taiwan Next Magazine

Its dynamic content and attractive appearance have made *Taiwan Next Magazine* a hit among readers since the day when the first issue arrived on the island's news stands back in 2001. The fearless, unconventional and often controversial way that it covers every major issue affecting the island and the lives of its residents has made it essential reading for anyone who wants to be better informed and understand what is going on behind the scenes there, and it has earned the magazine an unrivalled lead as Taiwan's most widely read weekly.

An average of 1,414,000 readers aged 12 and above relied on *Taiwan Next Magazine* for updates and in-depth analysis every week during 2007. This represented a slight increase of 0.1 per cent on its readership of 1,413,000 in the previous year[3]. The title also sold an average of 114,683 copies a week in the second half of the same year, compared with 129,107 in the corresponding months of 2006[4].

Although *Taiwan Next Magazine's* circulation income declined by 7.9 per cent, its popularity among the public continued to serve as a magnet for the island's advertisers, and this was reflected by the growth in its advertising sales. In defiance of the island's rather muted business conditions, these grew by 2.0 per cent during the 2007/08 financial year, amounting to HK$161.7 million, compared with the HK$158.5 million it achieved in the previous 12 months, and accounting for 70.2 per cent of its total revenue.

In addition to this, the cost-savings programmes that the magazine implemented during the year had a phenomenal impact on its profit. This burgeoned by 27.1 per cent to HK$ 32.8 million, compared with HK$25.8 million in the previous financial year.

The Group has no doubt that *Taiwan Next Magazine* will remain a firm favourite its loyal and growing army of readers, as well as the island's major advertisers. Its dominant position in the market positions it well to continue making constant contribution to the Group's profits in the years to come.

Books and Magazines Printing Division

Next Media's commercial printing operations maintained its steady contribution to the Group's revenues. Its revenue during the year ended 31 March 2008 amounted to HK$299.6 million, which was 10.0 per cent higher than the figure of HK$272.3 million for the previous year. Internal sales accounted for HK$177.4 million or 59.2 per cent of this, while sales to external customers made up the other HK$122.2 million, representing an increase of 18.5 per cent on the preceding year's HK$103.1 million.

Robust competition from printers on the Mainland continued to exert pressure on the Division's sales and profit margins. In response, it maintained a firm focus on delivering quality products. This enabled it to secure a steady stream of business from prestigious clients in Hong Kong, North America, Europe and Australasia. The Group remains optimistic that its Books and Magazines Printing Division will carry to generate a reliable flow of revenue in the future.

Internet Division

The Internet Division continued to provide local and overseas readers with a convenient and economical means of accessing their favourite Next Media publications.

Its external revenue rose by a healthy 25.9 per cent to HK$39.4 million in the year under review, compared with HK$31.3 million the previous year. This consisted of subscription fees, advertising revenue and content licensing payments.

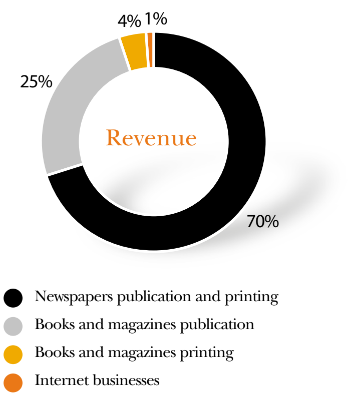
The Group is convinced that the Internet Division is capable of generating an increasing amount of revenue in the coming years. It has therefore established a new Research and Development unit within the Division that will further develop the scope and quality of its online presence in order to satisfy the ever-rising expectations of Internet users and advertisers alike.

Although the costs of human resources and other factors associated with this project tipped the scales and turned the previous year's segmental profit of HK$12.0 million into a segmental loss of HK$21.3 million this year, the Group regards them as a very worthwhile investment that will ensure the Division's long-term success.

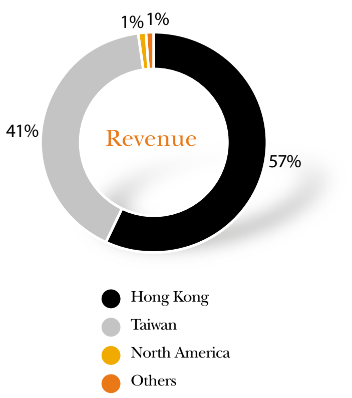
Sources:

1. *2007 Nielsen Media Index: Hong Kong Report (January – December 2007)*
2. *Hong Kong Audit Bureau of Circulations Ltd.*
3. *Media Index (January – December 2007), Nielsen Media Research, Taiwan*
4. *The Audit Bureau of Circulations, R. O. C.*

Revenue – Business Segments



Revenue – Geographical Segments



Financial Review

CONSOLIDATED FINANCIAL RESULTS

Revenue

The Group recorded a total revenue of HK$3,483.8 million during the year ended 31 March 2008. This represents an increase of 7.4 per cent or HK$238.6 million on the figure of HK$3,245.2 million achieved in the previous financial year. Most of the increment was due to a rise of 7.3 per cent in the total advertising sales of the Group's publications, which were responsible for an average of approximately two-thirds of their respective total income, the rest being derived from circulation sales.

Hong Kong remained the principal geographical source of the Group's revenue. Its operations there were responsible for HK$1,968.4 million or 56.5 per cent of its total revenue during the 2007/08 financial year. Taiwan was the second-largest revenue earner, accounting for 41.3 per cent of the Group's total revenue. Meanwhile, the income derived from Taiwan rose slightly, by 6.4 per cent from the last year's HK$1,353.3 million to HK$1,440.1 million in this financial year.

In operational terms, newspaper publishing and printing continued to contribute the lion's share of the Group's revenue. The Newspapers Publication and Printing Division contributed HK$2,449.5 million or 70.3 per cent of its total revenue, an increase of HK$171.8 million or 7.5 per cent on the figure of HK$2,277.7 million for the previous financial year.

The Books and Magazines Publication Division performed satisfactorily, generating HK$872.7 million or 25.1 per cent of the Group's total revenue. Meanwhile, the Books and Magazines Printing Division contributed HK$122.1 million or 3.5 per cent.

EBITDA and Segment Results

The Group's Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) for the year ended 31 March 2008 amounted to HK$772.6 million. This represented an increase of HK$189.2 million or 32.4 per cent on the figure of HK$583.4 million achieved in the previous financial year. Much of this growth was due to comprehensive and effective cost-reduction measures that were implemented in most of the Group's divisions, coupled with an increase in the figure for advertising sales.

The Group achieved a segment profit of HK$635.5 million during the year under review, a remarkable rise of 47.9 per cent on the figure of HK$429.6 million reported in the preceding financial year.

The Newspapers Publication and Printing Division's segment profit rose by 46.1 per cent to HK$462.7 million, compared with the previous year's figure of HK$316.6 million.

The segment profit of the Books and Magazines Publication Division leapt by an impressive 178.6 per cent to HK$127.6 million, in contrast to the figure of HK$45.8 million recorded in the previous year.

The Books and Magazines Printing Division recorded a segment profit of HK$66.5 million, an increase of 20.5 per cent over the last year's figure of HK$55.2 million.

Operating Expenses

The Group's operating expenses totalled HK$2,864.9 million during the financial year under review. This was HK$33.3 million or 1.2 per cent higher than the previous year's figure of HK$2,831.6 million. HK$1,267.0 million or 44.2 per cent of this figure consisted of raw materials consumed and essential production costs. Total personnel costs accounted for HK$1,110.6 million or 38.8 per cent of the Group's total operating expenses, an increase of HK$52.5 million or 5.0 per cent on the previous year's figure of HK$1,058.1 million.

Taxation

The taxes levied on the Group during the 2007/08 financial year amounted to HK$97.6 million, an increase of 37.1 per cent compared to the previous year's figure of HK$71.2 million. The difference was mainly due to the increase in taxes of the Taiwan operations for the current year by HK$5.7 million and the increase in deferred tax of HK$22.0 million respectively.

FINANCIAL POSITION

Current Assets and Current Liabilities

As at 31 March 2008, the Group held HK$1,650.5 million in current assets, an increase of 0.1 per cent over the figure of HK$1,648.9 million in the last year. The Group's total liabilities on the same date stood at HK$1,188.8 million. This represented a decrease of 4.5 per cent on the figure of HK$1,244.6 million a year earlier. The Group's bank balances and cash including restricted bank balances totalled HK$877.4 million as at 31 March 2008. The current ratio as at 31 March 2008 was 290.6 per cent, an increase of 12.0 per cent, compared to the ratio of 259.5 per cent on the same date in 2007.

Trade Receivable

As at 31 March 2008, the Group's trade receivable totalled HK$522.5 million, an increase of 2.4 per cent over the figure of HK$510.4 million in last financial year. The average turnover days for the Group's accounts receivable as at 31 March 2008 was 54.3 days, compared to 56.9 days on the same date of the previous year.

Trade Payable

As at 31 March 2008, the Group's trade payable amounted to HK$130.5 million. This was 13.1 per cent less than the figure of HK$150.1 million on the same date of the previous financial year. The average turnover days for its accounts payable was 40.5 days, compared to 45.5 days on the same date of the previous year.

Long-term and Short-term Borrowings

As at 31 March 2008, the Group's long-term borrowings, including current portions, totalled HK$364.8 million. This represented a decrease of 11.6 per cent on the figure of HK$412.5 million on the same date of the previous financial year. As at 31 March 2008, the current portion of the Group's long-term borrowings stood at HK$76.8 million, a decrease of 39.6 per cent measured against the figure of HK$127.2 million a year earlier.

Borrowings and Gearing

The Group's primary source of financing for its operations during the 2007/08 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$805.8 million, of which HK$369.4 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 New Taiwanese dollars. As at 31 March 2008, the Group's total bank balances including restricted bank balances and cash on hand amounted to HK$877.4 million. Its gearing ratio on the same date was 7.9 per cent, compared to 9.0 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

As at 31 March 2008, 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 (the "Shares").

Cash Flow

The Group's net cash inflow from operating activities during the year ended 31 March 2008 amounted to HK$657.0 million, whereas its cash inflow from operating activities in last year was HK$544.2 million.

The outflow of investment-related cash during the 2007/08 financial year totalled HK$46.2 million. This figure represented a decrease of 54.1 per cent on the total amount of HK$100.7 million during the previous financial year.

The Group's net cash outflow for financing activities during the year reached HK$622.1 million, compared to the preceding year's net cash outflow figure of HK$251.5 million. The 2007/08 figure mainly represented dividends paid in a total of HK$542.7 million, repayment of bank borrowings of HK$446.3 million and new loans raised of HK$384.0 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 2008, the Group's net currency exposure stood at NT$3,225.7 million (the equivalent of HK$825.8 million) a decrease of 31.9 per cent on the figure of NT$4,737.0 million (the equivalent of HK$1,118.5 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 2007/08 financial year totalled HK$75.9 million, of which HK$27.5 million was used to fund its operations in Taiwan. By the year-end, it had committed to further capital expenditure of HK$19.0 million on its operations, of which HK$5.5 million was to fund its operations in Taiwan.

Pledge of Assets

As at 31 March 2008, Next Media had pledged certain elements of the Group's Taiwanese property portfolio and printing equipment to a Taiwan bank as security for bank loans granted to the Group's Taiwan branches. The aggregate carrying value of these assets was HK$743.0 million.

Contingent Liabilities and Guarantees
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.

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 ("ADPL"), over amounts payable in respect of the construction of the facility. As this dispute is now under arbitration, the final outcome remains uncertain.

During the year, UDL had taken a separate legal action by filing the writ with indorsement of claim dated 8 June 2007 with the High Court against ADPL and Mr. Lai Chee Ying, Jimmy ("Mr. Lai") in respect of the above claim. A judgement in default of notice of intention to defend was entered against ADPL on 27 June 2007 (the "Default Judgement"), and a statutory demand was served by UDL on ADPL for the sum of approximately HK$162.0 million plus interest on 28 June 2007. ADPL's application for a stay of execution was issued and heard on 3 July 2007. Upon the undertaking by UDL's solicitors not to enforce the Default Judgement until the final determination of ADPL's application to set aside the Default Judgement, the application for a stay was adjourned sine die with liberty to restore. On 3 January 2008, a High Court hearing in relation to the applications to set aside the Default Judgement and the stay of proceedings to arbitration was heard, and the judgement was handed down by the High Court on 18 January 2008 (the "Judgement"). Pursuant to the Judgement, the Default Judgement dated 27 June 2007 against ADPL had been set aside and the proceedings against ADPL had been referred to arbitration. UDL had been ordered to pay 20% of ADPL's costs on the application to set aside the Default Judgement. ADPL also obtained an order for payment of all of its costs in relation to the application for a stay of proceedings to arbitration from UDL.

In connection with the acquisition of Database Gateway Limited and its subsidiaries (the "Acquired Group") on 26 October 2001, Mr. Lai, Chairman and a substantial shareholder of the Company, has undertaken to provide unlimited personal indemnities to 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 contractor dispute with UDL (the "Indemnity"). In relation to the Indemnity, Mr. Lai also procured a bank guarantee of HK$60.0 million for a term of three years from 25 October 2007 in favour of the Company and the Acquired Group in respect of his obligations under the Indemnity.

The Directors of the Company are of the opinion that it is unlikely in light of the indemnity given by Mr. Lai that if UDL pursues its various claims to their ultimate conclusion, the Group would have any liability. Accordingly it is the opinion of the Directors of the Company that the outstanding claims brought by UDL would not have any adverse material impact on the financial position of the Group.

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 2008, these contingent liabilities stood at HK$2.6 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 Directors appointed an independent professional valuer to conduct a valuation of the Group's masthead and publishing rights as at 31 March 2008 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 2008 was HK$2,565.0 million (31 March 2007: HK$2,119.9 million) against the corresponding carrying value of HK$1,300.9 million as at 31 March 2008 (31 March 2007: HK$1,300.9 million). Accordingly, a net revaluation surplus of HK$1,264.1 million as at 31 March 2008 (31 March 2007: HK$819.0 million) arose on a Group basis, which comprised a revaluation surplus of HK$1,266.2 million as at 31 March 2008 (31 March 2007: HK$832.7 million) and a revaluation deficit of HK$2.1 million as at 31 March 2008 (31 March 2007: HK$13.7 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$2.1 million was temporary in nature, no impairment loss should be recognised in the consolidated income statement for the year ended 31 March 2008 (for the year ended 31 March 2007: Nil).

No adjustment was made to the Group's financial statements for those masthead and publishing rights with revaluation surplus amounting to HK$1,266.2 million as at 31 March 2008 (31 March 2007: HK$832.7 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 Group's unrivalled position as Hong Kong's leading Chinese-language print media publisher and its growing presence in Taiwan provides firm foundations for its continued growth and success.

Apple Daily enjoys a strong position in the Hong Kong's newspaper market and a loyal readership. Each of the Group's magazines – *Next Magazine*, *Sudden Weekly Bundle* and *FACE Bundle* – are the best-selling and most widely read weeklies in their respective categories, and their readerships grew considerably during the 2007/08 financial year. Their readers also possess a more attractive demographic profile for advertisers than those of their rivals.

Taiwan Next Magazine is strongly tipped to maintain – and extend – its leadership status in the market, while *Taiwan Apple Daily* has rapidly overtaken nearly all the island's other daily newspapers, and it is now running neck-and-neck race with the best-selling daily of the island.

While never allowing its advantages to make it complacent, the Group believes that these will enable it to continue increasing its advertising and sales income in the coming years.

Hong Kong's business environment is widely expected to remain favourable and that it will continue to flourish. This is another positive factor that is expected to increase the advertising revenue the Group derives, especially from sectors such as luxury consumer products, travel, electronics and education.

Now that its elections are over, Taiwan's economic prospects are expected to brighten in the coming months, especially if – as many analysts predict – the new leadership succeeds in improving its relations with the Mainland. The Group has always regarded Taiwan as the ideal location for building its business in the future. It continues to pursue the goal of obtaining roughly equal shares of its revenue from both markets, and it is making steady progress towards achieving this.

Rising costs in both Hong Kong and Taiwan form the biggest single challenge that Next Media believes it will need to tackle in the coming months, especially as human resources and raw materials are likely to become increasingly expensive. As previously mentioned, the Group is very mindful of their negative impact, and it has fully committed itself to trimming them wherever possible. This financial year's results testify to the effectiveness of the efforts it has already made, and we will continue to keep a watchful eye over them in the future.

Dividends

The Directors recommend the payment of a final dividend of HK9.0 cents (2006/07: HK8.5 cents) and a special dividend of HK10.0 cents (2006/07: HK9.0 cents) per Share to the shareholders whose names appear on the register of members on Monday, 21 July 2008, which together with the interim dividend of HK 5.0 cents (2006/07: HK 4.0 cents) per Share will amount to a total of HK24.0 cents per Share for 2007/08 (the interim, final and special dividends for 2006/07: HK21.5 cents). The proposed final and special dividends, if approved by the shareholders at the forthcoming annual general meeting to be held on Monday, 21 July 2008, will be paid on Thursday, 31 July 2008.

Book Close Period

The Register of Members of the Company will be closed from Thursday, 17 July 2008 to Monday, 21 July 2008, 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, 16 July 2008 so as to qualify for the final and special dividends. Dividend warrants will be despatched on or around Thursday, 31 July 2008.

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

A strong sense of corporate social responsibility and good corporate citizenship are essential for any organisation's success. At Next Media, we place special emphasis on communicating with stakeholders, developing the skills of our employees, serving the communities in which we operate, and protecting the environment.

CRUCIAL COMMUNICATIONS

Connecting with Shareholders

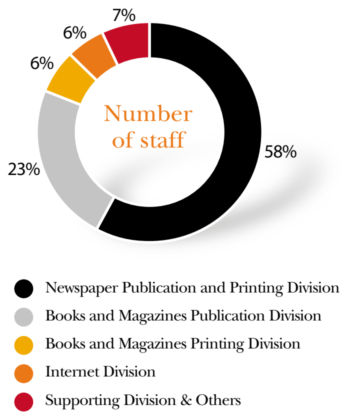
As Hong Kong's largest Chinese-language print media company, we regard our mission to maintain open and transparent communication with our investors as being equally important as our role of providing the most comprehensive, accurate and unbiased information to our readers.

During the year, we maintained our efforts to improve our communication with investors through our senior management's participation in briefings, meetings and company visits with various interested parties, including research analysts and institutional investors.

We also provided complete corporate information to the public via our website, *http://www.nextmedia.com*. This included our interim and annual reports, public announcements, circulars and press releases.

At the same time, we deeply appreciate receiving feedback from our shareholders, which we take into account and act upon in order to improve our performance. Shareholders are encouraged to send us their comments and inquiries via our dedicated investor relations e-mail account, *ir@nextmedia.com*, or by post to our Company Secretary at Next Media's registered office. We aim to reply directly to all written inquiries within seven days.

Number of staff as at 31 March 2008



1. Kindergarten kids drew a greeting card to Lee, an elder who suffered from lung cancer.
2. Ching Ching, a two years old girl who suffered from "Pompe" disease, received donations for medical treatment.
3. Disabled children were invited to have luncheon at a hotel.

Creating Shareholder Value

Next Media values the trust our shareholders have vested in us. In return, we strive to maintain the success of our company, and we reward them by paying dividends linked to our business performance. We began to pay ordinary dividends in 2005/06; and since then our annual dividend payouts have been maintained at around 100%.

In line with our commitment to our shareholders, the Board has recommended payment of a final dividend of HK9.0 cents and a special dividend of HK10.0 cents per Share for 2007/08. Together with the interim dividend of HK5.0 cents that we paid during the year, our total dividends would amount to HK24.0 cents.

STAFF – SEEKING THE BEST OF THE BEST

Equal Opportunities, Fair Rewards

As at 31 March 2008, Next Media employed 3,682 people in Hong Kong, Taiwan and Canada.

Next Media always aims to be a responsible and popular employer who recruits the best and brightest talent in the industry. We believe in equal employment opportunities, and our recruitment policies are non-discriminatory. Staff members are appointed purely on the basis of their relevant skills and experience. In addition, we respect our employees, and we reward them fairly for their hard work, enthusiasm and skills, as well as for their adherence to our strict ethical standards.

To maintain the highest quality in our team, we review staff remuneration packages every year in the light of each employee's responsibilities and the Group's business performance, together with internal benchmarks and prevailing market practices and conditions.

Employees are also rewarded for their performance through variable pay-related elements, such as special year-end bonuses and a profit-sharing scheme for team members who make exceptional contributions to the Group. In addition, we offer special educational subsidies to those who wish to obtain professional or career-related qualifications. We also arrange regular seminars to update the legal knowledge of our reporters and editors, and to teach them how to handle specific and sensitive issues they may encounter in the course of their work.

Next Media believes in caring for employees, both during and outside their working hours. Besides insurance and medical coverage, maternity and paternity leave, we also provide retirement and mandatory provident fund schemes. To motivate them to generate extra value for shareholders, the Group operates discretionary share option schemes and a share subscription and financing plan.

During the year under review, Next Media's total staff-related costs, including retirement benefits, totalled HK$1,110.6 million, an increase of 5.0 per cent on the previous year's figure of HK$1,058.1 million.

1. Upon receiving the education fund, Fong Fong and her 5 siblings could continue schooling.
2. Accompanied by her mother, Ping Ping received painting therapy for her developmental disorder.
3. Mid-Autumn moon cakes were distributed to the sufferers of spine damage in Kahsiung.

Fostering Work-Life Balance
As part of our longstanding policy of respecting our team members and showing them that they are valued, Next Media offers them a pleasant and professional working environment, as well as a wide array of leisure facilities. The latter include a cafeteria, open-air BBQ area, and superbly equipped fitness centre with a swimming pool and multi-function athletic court. We regard the substantial cost of these facilities as a very worthwhile investment, because they enhance the physical and mental wellbeing of our employees, increase their sense of belongings and team spirit, and ultimately boost their efficiency and the contributions they make to the Group's success.

During the year, we organised an extensive programme of staff activities, such as:

- An annual dinner;
- A Christmas party;
- A Mid-Autumn Festival fun day;
- A sightseeing trip to Yuen Long;
- Weekly yoga classes;
- Weekly tai-chi classes; and
- A Chinese dumpling cookery class.

In addition, we helped to safeguard the health of our staff members by arranging medical check ups and influenza vaccination programmes for them.

Our people-centred approach has earned Next Media an enviable reputation as a preferred employer in the media industry. We do not simply offer our employees a career; instead we provide a dynamic environment in which they can pursue their personal development and achieve their goals in life, while simultaneously raising their awareness about issues that directly influence everyone in the community.

CONCERN FOR THE COMMUNITY

Caring for the Underprivileged
Truthful and balanced journalism is just one of Next Media's roles. Striving to be a good corporate citizen who significantly benefits all the communities in which we operate is equally important to us.

In 1995, we founded the Apple Daily Charitable Foundation in Hong Kong. Its principal objective is to assist the less-privileged members of our community through direct financial support or sponsorship of various social service programmes. The Foundation has two committees, the Charitable Fund Committee and Educational Fund Committee. In 1997, we also launched the Apple Bursaries Scheme, which provides direct financial support to needy students.

During the year, the Foundation distributed a total of HK$2.0 million to support 70 social service projects for disadvantaged groups. Meanwhile, the Apple Bursaries Scheme awarded bursaries with a total value of HK$5.4 million to more than 1,200 primary and secondary school students.

Apple Daily gives ongoing support to the Foundation and its programmes by publishing a regular column appealing for donations from readers, as well as by donating 1 per cent of its profits to the Foundation every month. The paper often devotes space to promoting the Foundation's charitable activities as well. In the fourth quarter of 2006, the Foundation began to issue a quarterly newsletter publicising its good work, which is distributed through the Hong Kong Council of Social Service.

Following its launch in May 2003, *Taiwan Apple Daily* established a similar foundation – the Apple Daily Foundation – in Taiwan, with an initial endowment of NT$15 million from the newspaper.

Serving the Community
Next Media bases its community service philosophy on the motto "Use what you receive from society to benefit society!" This philosophy was reflected in the following programmes in 2007/08:

- The Foundation donated HK$170,000 for a program called "Warm Action 2007-2008" which was organized by a voluntary organization to distribute winter clothes and food packages to the elderly, disabled and low income families.

- The Foundation donated HK$300,000 to a specially designed program named "Sunrise Program" which was organized by an voluntary organization to provide rehabilitation services to the young prisoners for one year. Such rehabilitation services included counseling services for the prisoners and their families, provision of job training and voluntary services.

- Medical assistance funds were set up for two children – Ki Ki, a seven months old baby girl and Ching Ching, a two years old girl, they both suffered from a rare disease named "Pompe" disease and were in very critical conditions. Their parents were not able to afford huge medical funds for immediate medical treatments and medicines. The Foundation reported these news in its editorial column in the *Apple Daily* and helped to raise approximately HK$280,000 and HK$340,000 for Ki Ki and Ching Ching respectively.

The Group and its employees also supported the following charitable organisations for fundraising activities during the year:

- Medecins Sans Frontieres;
- The Hong Kong Anti-Cancer Society; and
- Makes-A-Wish®Hong Kong.

Next Media has always maintained an unstinting and long-term commitment to our readers and the communities in which we operate. We will continue to adhere to our philosophy of supporting disadvantaged social groups in the years ahead.

ENVIRONMENT

Eco-friendly Initiatives
Caring for the environment is another important dimension of Next Media's commitment to society. We strive to fulfil this goal in terms of our own operations and through our relationships with suppliers, customers and the wider community.

We endeavour to ensure that all the materials we use and every aspect of our operations are as eco-friendly as possible. Also, we make every effort to minimise their negative impact on the environment. In addition, we insist that the products and services we purchase from our suppliers comply with the highest environmental standards.

In 2007/08, Next Media used 167,500 metric tonnes of newsprint for our newspapers, plus another 25,500 metric tonnes of paper for our magazines. This was supplied by reputable major manufacturers in the USA, Norway, Sweden and Finland, all of which adhere strictly to manufacturing processes that minimise environmental impact and comply with the ISO14000 Environmental Management System Standard.

We also consumed approximately 2,214 tonnes of printing ink for newspapers and 801 tonnes for magazines during the same period. This ink is organic, consisting of a composite of resin and vegetable oil that fulfils environmental conservation objectives. Its manufacturer also complies with the ISO14000 and 14001 Environmental Management System Standards as well as the ISO 9001 Quality Management System Standard, and its products are recognised in international treaties on environmental protection.

At the same time, Next Media implements environmental monitoring and review systems in all our production processes. We achieve this by adopting a range of strategies designed to reduce pollution through efficient technical support. Moreover, our employees are trained to minimise waste, environmental damage and noise.

All our printing plants have emission-control systems that reduce VOC emissions from printing ink by 90 per cent. They are also equipped with comprehensive sewage-processing systems that fully comply with Hong Kong's statutory requirements. Dedicated disposal bins have been installed for chemical wastes; and all solid, pulp, paper and chemical wastes 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, Next Media has installed energy-saving lighting systems and we use environmentally friendly cleaning materials. We regularly monitor the use of resources and encourage the adoption of recycled or environmentally responsible materials.

ACHIEVEMENTS DURING THE YEAR

The Group deeply appreciates the contribution that every team member makes towards our success. In 2007/08, their hard work, energy and resourcefulness continued to win us recognition within the industry, and we are proud to have received the following awards:

Apply Daily

1. SOPA 2007 Awards for Editorial Excellence organised by The Society of Publishers
   - Excellence in Editorial Cartooning – Winner
   - Local Journalist Award (Chinese-language) – Winner
   - Excellence in Newspaper Design – Honourable Mention

2. The 3rd Chinese University Journalism Award – The Chinese University of Hong Kong Journalism and Communication Alumni Association
   - The Print Media Category: Honourable Mention – Chan Pui Man

Taiwan Apple Daily

3. SOPA 2007 Awards for Editorial Excellence organised by The Society of Publishers
   - Excellence in News Photography – Winner
   - Excellence in Newspaper Design – Winner
   - Excellence in Feature Photography – Honourable Mention
   - Excellence in Editorial Cartooning – Honourable Mention

4. IFRA's Publish Asia 2008
   - Best in Newspaper Infographics (Non-Breaking News) – Silver Award
   - Best in Newspaper Infographics (Breaking News) – Bronze Award
   - Best in Photojournalism (Best Photographer) – Bronze Award
   - Best in Online Media: *http://1-apple.com.tw* – Bronze Award

Next Media

5. 2007 Galaxy Awards – 18th Annual International Competition Celebrating Excellence in Product & Services Marketing
   - 2007 Grand Winner – Best of Annual Reports: Interim Report 2006/07 – *"Two Platforms, One Mission"*

Paramount Printing Company Limited

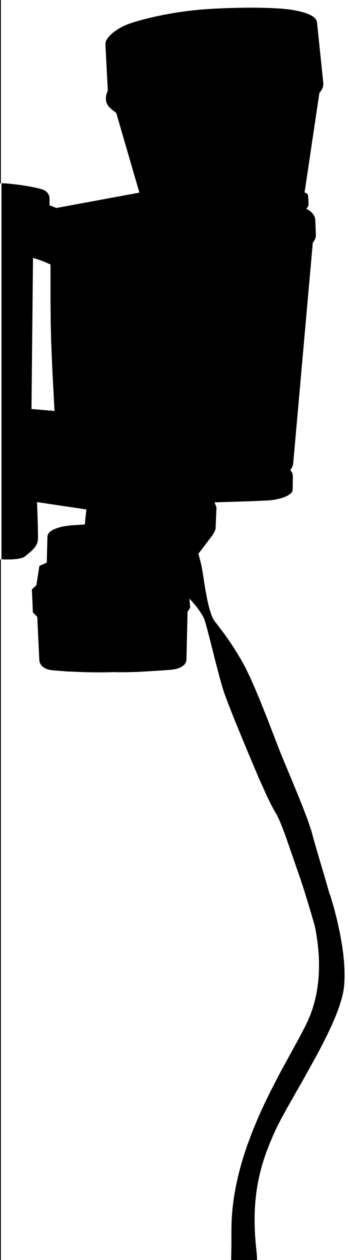
6. The 19th Hong Kong Printing Awards
   - Annual Report Printing – 2006/07 Annual Report – Merit

Apple Daily Printing Limited

7. The 19th Hong Kong Printing Awards
   - Newspaper Printing – *Apple Daily* – Merit

corporate governance

Next Media strives to ensure that good corporate governance practices are applied throughout the Group, with an emphasis on accountability, transparency, fairness and integrity.



This report describes the corporate governance practices and structure that are in place at Next Media, with reference to the principles and guidelines of the Code of Corporate Governance Practices (the "Code"), as well as other applicable requirements set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

BOARD OF DIRECTORS

As of the date of this annual report, the Board consisted of seven Directors who has assumed full and collective responsibility for overseeing the Group's operations by giving directions to and supervising its management.

Duties of the Board

- To establish the Group's strategic directions in order to deliver sustainable long-term value to shareholders;
- To lead and guide its management in accordance with the Group's strategies and directions;
- To monitor the performance of the Group's management and their conduct of its business;
- To ensure the soundness of the Group's internal risk-management control system; and
- To approve all the Group's major financial decisions and other significant issues.

Board Composition

The Board consists of four Executive Directors, Mr. Lai Chi Ying, Jimmy ("Mr. Lai"), Mr. Ting Ka Yu, Stephen, Mr. Ip Yut Kin and Mr. Tung Chuen Cheuk, as well as three independent non-executive directors ("INEDs"), Mr. Yeh V-Nee, Mr. Fok Kwong Hang, Terry, and Dr. Kao Kuen, Charles. Mr. Lai, the Executive Chairman of the Board, also took up an active role as the Group's Chief Executive Officer, with effect from 1 January 2008.

During the year under review, all three INEDs met with the guidelines for assessing their independence set out in Rule 3.13 of the Listing Rules, and they provided the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with written confirmation regarding their independence. The Company considered that all three INEDs were independent; and that no family, material or other relevant relationships existed between any of them.

The Members of the Board possess business and financial expertise in a range of areas that are essential for the effective governance of a media company. Their biographies and respective roles in the Board's Committees are set out in the "Directors and Senior Management" section of this annual report and on Next Media's website at *http://www.nextmedia.com*.

Chairman and Chief Executive Officer

Provision A.2.1 of the Code stipulates that the roles of the Chairman and Chief Executive Officer should be segregated with a clear division of responsibilities. Mr. Lai, the Executive Chairman, took up the position of the Group's Chief Executive Officer on 1 January 2008. Mr. Lai possesses strong leadership skills and has extensive experience in the media industry. The Board therefore considers that the vesting of the roles of Chairman and Chief Executive Officer in the same person provides the Group with strong and consistent leadership that will enable it to make effective and efficient business decisions, as well as ensuring the timely execution of such business strategies. The Board also considers that this structure will not impair the balance of power and authority between the Board and senior management, as clear guidelines have been stipulated about their respective powers and authorities. The Board, which comprises experienced and high-calibre individuals, also meets regularly to discuss issues and oversee the Group's operations.

The management team, which consists of Executive Directors and members of the senior management, is responsible for implementing the Group's strategic directions, setting its objectives, monitoring the performance of its business units, and ensuring effective risk-management controls.

Appointment, Re-election and Removal

Next Media's Articles of Association require each Director to retire by rotation once every three years, and one-third (or the nearest number to the one-third) of the Directors to retire from office every year and be eligible for re-election at the Company's Annual General Meeting ("AGM"). The Articles of Association further provide that all new Directors appointed to fill casual vacancies during the year shall only hold office until the next AGM, and that they shall be eligible for re-election.

In view of the current Board's size, each Director has an average term of office of three years. The terms of appointment of all the Company's three INEDs have been fixed for a term of two years up to 31 March 2009.

During the year ended 31 March 2008, Mr. Lai, Mr. Tung Chuen Cheuk and Dr. Charles Kao retired and were re-elected as Directors of the Company at its 2007 AGM held on 30 July 2007.

Responsibilities of Directors

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 Group's state of affairs. When preparing the financial statements, the Directors review and approve appropriate accounting policies recommended by the management, Audit Committee and professional bodies. They apply the same standards consistently in demonstrating the quantified operational performance and in exercising relevant judgment.

The Directors are empowered with all the resources deemed necessary to carry out their duties to the best of their abilities. They are given full and timely access to the advice and services of the Company Secretary, and to all information that is 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" that have been 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 for all the Directors as and when necessary, to ensure that their skill sets and knowledge remain consistent with all relevant legal and regulatory requirements. From time to time, the Company Secretary provides updates to all Directors about the latest developments in terms of rules and regulations.

The 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 taken out comprehensive Directors' and officers' liabilities insurance coverage for such purposes, subject to the provisions of the Companies Ordinance and other applicable legislation.

The 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 organizations. They are also required to declare all other significant commitments, including the identity of the relevant public companies or organizations. During the year under review, none of the Executive Directors held any directorship or office in any other public companies or organizations.

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 are held on a quarterly basis to review and consider the Company's operations, financial results and other relevant matters identified by the Directors. Additional meetings may also be arranged at the request of the Directors.

The proceedings of the Board are well defined and follow the applicable recommended best practices of the Code. The Company Secretary ensures that proper procedures are followed for Board/Committee meetings and that all Directors/Committee members receive the meeting's materials in a timely manner. Members of the management team are also invited to attend 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 items in the agenda. The Directors are also requested to declare their direct or indirect interests, if any, in any matters or transactions to be considered at Board/Committee meetings, and they shall not vote nor be counted in the quorum as appropriate on any resolution of the Board/Committee if they have such an interest.

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

Four Board meetings were held during the year ended 31 March 2008, and details of the Directors' attendances are set out in the following table:

Director	Number of Board meetings attended	Attendance rate
Mr. Lai	3/4	75%
Mr. Ting Ka Yu, Stephen	4/4	100%
Mr. Ip Yut Kin	2/4	50%
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 one Sub-committee, each of which has clearly defined duties, powers and functions:

- 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 schemes;
- An Audit Committee;
- A Remuneration Committee; and
- A Sub-committee made up of the financial heads of all major operating subsidiaries, the Company Secretary, the Financial Controller, Deputy Chief Financial Officer and Chief Financial Officer, which reviews all possible connected transactions to be undertaken by the Group, and monitors the full disclosure of such transactions pursuant to 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.

Due to the small size of the Board, the Company has not established any Nomination Committee. The Board will carry out proper procedures 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. 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 management team 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. Additional meetings will be convened when members of the Audit Committee need to discuss any specific matters. 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 under review, the Audit Committee met three times, with the external auditors and 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 2007;
- The external auditors' audit-related and non-audit-related service proposal for the year ended 31 March 2008;
- The Group's interim financial statements for the six months ended 30 September 2007; and
- Proposals regarding the engagement of a professional firm to assist the Board in assessing the effectiveness of the Company's internal control measures during the year ended 31 March 2008.

Save for Dr. Charles Kao, who was only available to attend two meetings, the other two members attended all three meetings held in the year ended 31 March 2008.

The Company's Chief Financial Officer, 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 and a professional firm, 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 responsible for reviewing the external auditors' audit review report and ensuring that the management makes timely responses to all issues raised therein. 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$860,000. This sum included HK$410,000 for taxation services and HK$450,000 for a review of the Group's interim results for the six months ended 30 September 2007.

REMUNERATION COMMITTEE

Remuneration Committee Structure and Membership

The Remuneration Committee was established on 15 March 2005, together with specific terms of reference regarding its authority and duties.

The Remuneration Committee currently comprises five members, the majority of whom 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 members of the senior management that are brought before it, subject to recommendations from the Remuneration Committee and approval by shareholders if required under the Listing Rules, Next Media's Articles of Association and applicable legislation from time to time.

Remuneration Committee Activities

During the year, the Remuneration Committee reviewed the following matters, and resolved by written consent of all its members to recommend proposals concerning these to the Board for its consideration:

- Adoption of the Company's share subscription and financing plan;
- Variation of the remuneration package of Mr. Lai under an employment contract with Apple Daily Publication Development Limited, a subsidiary of Next Media;

- The fees of the Company's Directors for the year ended 31 March 2008; and
- The salary review of the Group for 2008/09.

CODE, CODES OF CONDUCT AND INTERNAL CONTROLS

Compliance with the Code

Throughout the year ended 31 March 2008, Next Media achieved full compliance with the applicable provisions of the Code, save and except for the following deviations:

Code provision A.2.1

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

Mr. Lai, the executive Chairman, also took up the position of Chief Executive Officer of the Group with effect from 1 January 2008. Mr. Lai's roles and responsibilities and a detailed explanation are set out in the section headed "Chairman and Chief Executive Officer" of this report.

Code provision E.1.2

Pursuant to 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 30 July 2007. Mr. Ting Ka Yu, Stephen, an Executive Director who was present at the AGM, chaired the meeting in accordance with the provisions of Next Media's Articles of Association.

Compliance with the Model Code

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 fully complied with the required standards of the Model Code for the year ended 31 March 2008.

Specific 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 made it a priority 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 comply with these codes of conduct fully and at all times. These codes are subject to regular reviews and updates, in order to ensure they remain in line and continue to comply with changing circumstances and regulations.

Internal Controls

The Board acknowledges its responsibility for establishing an effective internal control system. Stringent policies and procedures are laid down for the following key internal control areas:

- Identification of risk and implementation of risk-control measures;
- Establishment of policies and procedures for key financial and operational matters and implementation thereof;
- Safeguarding the Group's assets;
- Maintenance of proper accounting records;
- Compliance with all applicable regulations and legislation; and
- Proper delegation of authorities.

These policies and procedures ensure that anyone who carries out transactions on behalf of the Company always does so in accordance with the proper procedures and with the management's approval and instructions.

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.

In compliance with provision C.2 of the Code and to improve the effectiveness of the Group's internal controls, the Board has engaged a professional firm to conduct an assessment to evaluate entity-level controls within Next Media with reference to the COSO (The Committee of Sponsoring Organizations) framework covering control environment, risk assessment, control activities, information and communication and monitoring. During the year ended 31 March 2008, the Group conducted a review of the controls over financial, operational, compliance and risk management, in order to identify and prioritize significant risk areas that required further improvement or rectification. Overall, the assessment indicated that a high level of awareness about these controls exists within the Group's business units. Findings and recommendations concerning improvements to the controls have been reported to the Audit Committee and the Board.

COMMUNICATIONS WITH SHAREHOLDERS

AGM

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

At Next Media's 2007 AGM held on 30 July 2007, all resolutions put forward to the shareholders were passed by way of poll vote, in compliance with good corporate governance practice. The results of the poll votes on these resolutions were posted on the websites of the Stock Exchange and Next Media after the conclusion of the AGM.

Details of all polls, voting procedures and the shareholders' right to demand a poll, are included in the Company's circulars to shareholders. Questions on procedures for convening or putting forward resolutions at an AGM or 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 senior management to act as its representatives to meet with analysts and the media.

As a media company, Next Media remains determined to enhance its transparency further 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 circulars, 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

Our Directors and senior management possess a wide range of business and financial expertise, which they have gained over many years both inside and outside the media industry. This rich experience in various fields enables them to contribute to the Group's balanced growth, as well as its excellent corporate governance.

EXECUTIVE DIRECTORS

Mr. Lai Chee Ying, Jimmy, aged 59, has been a Director and Chairman of the Board since 1999. He is also currently the Group's Chief Executive Officer and he is responsible for formulating and implementing its strategic policies. Mr. Lai entered the media industry by launching *Next Magazine* in March 1990. He subsequently added several other popular titles to his stable of publications, including *Easy Finder* (September 1991, renamed *FACE* in May 2007), *Apple Daily* (June 1995), *Sudden Weekly* (August 1995), *Eat & Travel Weekly* (July 1997) and *ME!* (December 2006). Mr. Lai 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). 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. Ting Ka Yu, Stephen, aged 49, has been a Director of the Company since October 1999. He is currently the Group's Chief Operating Officer and he is responsible for 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 has 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 56, has been a Director of the Company since November 2001. He is also currently the Chairman of *Taiwan Apple Daily* and *Taiwan Next Magazine*, and he oversees the operations of these two publications. Prior to joining the Group, Mr. Ip worked with many leading Hong Kong newspapers during a long journalistic career that spanned more than 30 years. He is a graduate of the National Chengchi University of Taiwan with a Bachelor of Social Sciences (Journalism) degree.

Mr. Tung Chuen Cheuk, aged 66, 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 has included spells with the BBC in London, *Reader's Digest* and *Ming Pao*.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yeh V-Nee, aged 49, is a qualified US attorney-at-law, and he has been a Director of the Company since 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. He is also Chairman of Argyle Street Management Limited, an Asian distressed asset management firm with approximately US$923 million assets under management, as well as Cheetah Investment Management Limited, which, together with its various group companies, has launched and manages funds with alternative investment strategies around Asia with total net assets of over US$900 million. Mr. Yeh was a council member of The Stock Exchange of Hong Kong Limited ("SEHK") until its merger into the Hong Kong Exchanges and Clearing Limited, and he continued to serve as a member of the SEHK's Listing Committee until May 2006. He was a member of the Listing Committee of the China Securities Regulatory Commission from 1999 to 2003. Mr. Yeh also sits on the Takeovers and Mergers Panel, the Takeovers Appeal Committee, and the SFC Dual Filing Advisory Group of the Securities and Futures Commission.

Mr. Fok Kwong Hang, Terry, aged 53, has been a Director of the Company since June 2000. He holds both M.Sc. and MBA degrees from the University of Wisconsin, USA. Mr. Fok 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 74, 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 he 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 56, has been the Publisher of *Taiwan Apple Daily* since March 2003. He graduated from National Taiwan University with a Bachelor of Arts degree, and 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 48, joined the Group as Chief Financial Officer in January 2007. He has over 18 years' experience in regional financial and operational management in multinational corporations and listed companies, and he is a fellow of the Chartered Association of Certified Accountants and an associate of The Hong Kong Institute of Certified Public Accountants. Mr. Lei holds a Bachelor's degree in Accountancy, Finance and Economics from the University of Essex, and a Master of Business Administration degree from The University of Wales, United Kingdom.

Mr. Chow Tat Kuen, Royston, aged 50, is currently the Group's Deputy Chief Financial Officer, as well as 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 55, is currently the Chief Operating Officer of *Taiwan Apple Daily* and *Taiwan Next Magazine*. He 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 his expertise over the years have included 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 47, 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.

Mr. Lee Chi Ho, aged 42, has been the Associate Publisher of *Next Magazine* since 2005. Mr. Lee joined the Group as a reporter in 1990. He graduated from the Hong Kong Baptist College (now known as The Hong Kong Baptist University), and he holds a Bachelor's degree in Social Science (Journalism).

Mr. Chiu Wai Kin, aged 47, is currently the Chief Executive Officer of *Sudden Weekly Bundle* – which consists of *Sudden Weekly*, *Eat & Travel Weekly* and *ME!*. Mr. Chiu started his career in the print media industry in 1988, and he has over 20 years of experience. He has been Editor-in-Chief of *Film Bi-Weekly*, *East Weekly* and *Sudden Weekly*. Mr. Chiu graduated from Jinan University, PRC, with a Bachelor's degree in Linguistics and Arts.

Mr. Yan Ming Wai, Daniel, aged 39, is currently the Publisher of *FACE*. He joined the Group in 1992 and he has worked in several of its departments, including website development and the editorial department of *Next Magazine*. Mr. Yan has over 17 years of experience in the media industry. He graduated from the University of Hong Kong with a Bachelor of Arts degree, and he was awarded a scholarship from The Japan Society of Hong Kong to study Japanese in Japan.

Ms. Wong Shuk Ha, Cat, aged 42, 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 and Chief Executive Officer)
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
The Shanghai Commercial & Savings Bank Limited
DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Sumitomo Mitsui Banking Corporation
China Construction Bank (Asia) Corporation Limited
Fortis Bank

LEGAL ADVISORS
Richards Butler in association with Reed Smith LLP
Deacons

REGISTERED OFFICE
1/F., 8 Chun Ying Street
Tseung Kwan O Industrial Estate
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

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.

company profile

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 percent 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 and 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 2008

Shareholders of Ordinary Shares

Mr. Lai	74.06%
Directors other than Mr. Lai	0.76%
Others	25.18%

Authorised Share Capital — HK$4,600,000,000.00

Ordinary Shares	4,600,000,000 Shares at HK$1.00 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 under the 2000 Share Option Scheme of the Company and remaining 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$2.760 each	400,000 Option Shares

Market Capitalisation

at HK$3.04 per Ordinary Share (closing price on 31 March 2008)	HK$7.33 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 2008 (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 39 to the Financial Statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 9 to the Financial Statements. A discussion of the material factors underlying the Group's performance and its financial position are provided in the Management Discussion and Analysis on pages 18 to 45.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 90.

An interim dividend of HK5.0 cents (2007: HK4.0 cents) per ordinary share, amounting to HK$120.6 million, were paid to the shareholders on 25 January 2008.

The Directors recommend the payment of a final dividend of HK9.0 cents (2007: HK 8.5 cents) and a special dividend of HK10.0 cents (2007: HK9.0 cents) per ordinary share to the shareholders whose names appear on the register of members on 21 July 2008, which together with the interim dividend of HK5.0 cents per ordinary share will amount to a total of HK24.0 cents per ordinary share (the interim, final and special dividends for 2007: HK21.5 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 20 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 148.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 31 to the Financial Statements.

RESERVES

Details of the movements in the reserves of the Company during the year are set out in note 33 to the Financial Statements.

DISTRIBUTABLE RESERVES

As at 31 March 2008, distributable reserves of the Company, calculated under section 79B of the Hong Kong Companies Ordinance, amounted to HK$474,491,000 (2007: HK$424,121,000).

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group accounted for 38.0% of the Group's revenue and the five largest suppliers of the Group accounted for 45.2% of the Group's total purchases for the year. The largest customer of the Group accounted for 30.2% of the Group's revenue and the largest supplier of the Group accounted for 20.7% 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 abovementioned suppliers and customers.

DONATIONS

Donations for charitable and other purposes made by the Group during the year amounted to HK$2,154,000 (2007: HK$1,369,000).

SHARE INCENTIVE SCHEMES

(a) Share Option Schemes of the Company

2000 Share Option Scheme

The share option scheme was adopted by the Company on 29 December 2000 and 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 "2000 Share Option Scheme"). 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. The 2000 Share Option Scheme was terminated by the shareholders of the Company at its 2007 annual general meeting held on 30 July 2007. However, options granted under the 2000 Share Option Scheme that remain unexpired shall continue to be exercisable in accordance with their terms of issue. Key terms of the 2000 Share Option Scheme are summarized below:

1. 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.

2. 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.

3. 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.

4. 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.

5. 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.

6. 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.

7. The table below sets out movements in the share options under the 2000 Share Option Scheme during the year:

Name or category of participant	Date of grant	Exercise price per Share	Exercisable period	Balance as at 01.04.2007	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Balance as at 31.03.2008
Directors									
Ting Ka Yu, Stephen	18.03.2002	HK$1.670	19.03.2003-28.12.2010	1,618,000	–	–	–	–	1,618,000
	25.01.2007	HK$2.600	26.01.2008-28.12.2010	3,500,000	–	–	–	3,500,000	–
Tung Chuen Cheuk	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$1.670	19.03.2003-28.12.2010	1,324,000	–	–	–	–	1,324,000
	24.08.2005	HK$3.325	25.08.2006-28.12.2010	1,000,000	–	–	–	–	1,000,000
	06.12.2006	HK$3.102	07.12.2007-28.12.2010	14,850,000	–	–	–	–	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$2.760	10.03.2008-28.12.2010	400,000	–	–	–	–	400,000
Total outstanding				27,292,000	–	–	–	3,500,000	23,792,000

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:

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

Save for the aforesaid movements, no options were granted, exercised or lapsed under the 2000 Share Option Scheme of the Company during the year ended 31 March 2008.

2007 Share Option Scheme

On 30 July 2007, the Company adopted a new share option scheme (the "2007 Share Option Scheme") with terms that complied with the requirements under Chapter 17 of the Listing Rules. Key terms of the 2007 Share Option Scheme are summarized below:

1. The purpose of the 2007 Share Option Scheme is to reward participants who have contributed to the Group and to encourage them to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its shareholders as a whole.

2. The participants are Directors (including executive Directors, non-executive Directors and independent non-executive Directors) and full-time employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group.

3. 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.

4. The option period of a particular option is the period during which the option can be exercised, such period to be determined and notified by the Board to each grantee at the time of making an offer, and in any event such period of time shall not expire later than 10 year from the date of grant.

5. The exercise price shall be such price determined by the Board in its absolute discretion but in any event shall not be less than the highest of: (i) the closing price of the Shares as stated in the daily quotations sheets issued by 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.

6. The total number of Shares which may be issued upon exercise of all options to be granted under the 2007 Share Option Scheme and any other share option schemes of the Company shall not exceed 10% in nominal amount of the aggregate of Shares in issue on 30 July 2007, being the adoption date of the 2007 Share Option Scheme, subject to refresher of the scheme mandate limit.

7. The Company may refresh the scheme mandate limit at any time subject to prior shareholders' approval in general meeting but in any event shall not exceed 10% of the Shares in issue as at the date of the aforesaid shareholders' approval.

During the year ended 31 March 2008, no options were granted, exercised, lapsed or cancelled under the 2007 Share Option Scheme of the Company.

Details of the 2000 Share Option Scheme and the 2007 Share Option Scheme of the Company also set out in the note 32 to the Financial Statements.

(b) Share Option Schemes of the Subsidiaries

2002 Subsidiary Share Option Scheme

On 31 July 2002, each of Apple Daily Publication Development Limited ("ADPDL") and Next Media Publishing Limited ("NMPL"), both are subsidiaries of the Company (each hereinafter referred to as "Subsidiary"), adopted a share option scheme with terms in compliance with Chapter 17 of the Listing Rules ("2002 ADPDL Share Option Scheme" and "2002 NMPL Share Option Scheme", collectively, "2002 Subsidiary Share Option Scheme").

On 28 July 2004, the shareholders of ADPDL and the shareholders of the Company approved the refreshment of the mandate limit of the 2002 ADPDL Share Option Scheme up to a new 10% limit.

On 30 July 2007, the 2002 Subsidiary Share Option Schemes were terminated by the respective shareholders of ADPDL and NMPL and the shareholders of the Company. However, the options granted under the 2002 Subsidiary Share Option Schemes that remain unexpired shall continue to be exercisable in accordance with their terms of issue. Key terms of the 2002 Subsidiary Share Option Schemes are summarized below:

1. The purpose of the 2002 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.

2. The participants of the 2002 Subsidiary Share Option Schemes include any of the full-time employees and directors of the Subsidiary or any of its subsidiaries.

3. 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.

4. 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 lodgment 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 recognized stock exchange whether in Hong Kong or elsewhere (the "Listing") or the expiry of the ten-year period from 31 July 2002, being the adoption date (the "Adoption Date"), whichever is earlier.

5. 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.

6. 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 2002 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 lodgment 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 highest 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 2002 Subsidiary Share Option Schemes and (iii) the nominal value of a share of the Subsidiary.

7. 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.

8. 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 2002 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 2002 Subsidiary Share Option Schemes.

9. The tables below set out the movements in the share options under the 2002 Subsidiary Share Option Schemes during the year:

2002 ADPDL Share Option Scheme

Name or category of participant	Date of grant	Exercise price per share	Exercisable period	Balance as at 01.04.2007	Granted during the year	Cancelled during the year	Outstanding as at 31.03.2008
Directors							
Ting Ka Yu, Stephen	22.01.2003	Refer to above (b)(6)	Not yet determined	50,000	–	50,000	–
	26.03.2003	Refer to above (b)(6)	Not yet determined	25,000	–	25,000	–
	11.01.2006	Refer to above (b)(6)	Not yet determined	25,000	–	25,000	–
Ip Yut Kin	22.01.2003	Refer to above (b)(6)	Not yet determined	100,000	–	100,000	–
	26.01.2004	Refer to above (b)(6)	Not yet determined	50,000	–	0	50,000
	11.01.2006	Refer to above (b)(6)	Not yet determined	50,000	–	0	50,000
Tung Chuen Cheuk	26.03.2003	Refer to above (b)(6)	Not yet determined	50,000	–	50,000	–
Employees							
In aggregate	08.01.2003	Refer to above (b)(6)	Not yet determined	205,000	–	205,000	–
	26.03.2003	Refer to above (b)(6)	Not yet determined	50,000	–	50,000	–
	23.04.2003	Refer to above (b)(6)	Not yet determined	50,000	–	50,000	–
	05.11.2003	Refer to above (b)(6)	Not yet determined	25,000	–	25,000	–
	19.04.2004	Refer to above (b)(6)	Not yet determined	50,000	–	50,000	–
	28.12.2005	Refer to above (b)(6)	Not yet determined	40,000	–	40,000	–
In aggregate and total outstanding							100,000

2002 NMPL Share Option Scheme

Name or category of participant	Date of grant	Exercise price per share	Exercisable period	Balance as at 01.04.2007	Granted during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31.03.2008
Employees								
In aggregate	08.01.2003	Refer to above (b)(6)	Not yet determined	75,000	–	75,000	–	–
	12.01.2004	Refer to above (b)(6)	Not yet determined	100,000	–	–	100,000	–
	03.01.2005	Refer to above (b)(6)	Not yet determined	175,000	–	–	175,000	–
In aggregate and total outstanding								Nil

During the year ended 31 March 2008, no options were granted under the 2002 Subsidiary Share Option Schemes.

Details of the 2002 Subsidiary Share Option Schemes are also set out in note 32 to the Financial Statements.

Subsidiary Share Option Schemes

During the year, the following subsidiaries of the Company (each hereinafter referred to as "Subsidiary") adopted their respective share option schemes (collectively, "Subsidiary Share Option Schemes") with terms in compliance with the requirements under Chapter 17 of the Listing Rules:

Name of subsidiary	Adoption date	Share option scheme title
ADPDL	30 July 2007	2007 ADPDL Share Option Scheme
NMPL	30 July 2007	2007 NMPL Share Option Scheme
Apple Community Infonet Limited ("ACIL")	22 February 2008	2008 ACIL Share Option Scheme
Next Media Animation Limited ("NMAL")	22 February 2008	2008 NMAL Share Option Scheme
Next Media Webcast Limited ("NMWL")	22 February 2008	2008 NMWL Share Option Scheme

The above 5 schemes are on substantially similar terms and the key terms of the Subsidiary Share Option Schemes are summarized below:

1. 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.

2. 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 and any person who the board of Directors of the Subsidiary considers to be able to enhance the operation or value of the Subsidiary.

3. 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.

4. 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 date 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 recognized stock exchange whether in Hong Kong or elsewhere (the "Listing") or the ten anniversary of the respective adoption dates, whichever is earlier.

5. 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.

6. The exercise price of the Subsidiary Share Option Schemes shall be determined solely by the board of directors of the Subsidiary but shall always be higher than or equal to the nominal value of a share. For any option granted after the Subsidiary has resolved to seek a Listing or during the period commencing six months before the lodgment 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; and (ii) the nominal value of a share of the Subsidiary.

7. 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 respective adoption dates (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.

8. 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 respective adoption dates, after which period no further options will be granted and no options shall be exercisable.

9. In the event the relevant stock exchange prohibits the exercise of the option by the grantee at the exercise price set out above as a result of the Listing, the Subsidiary shall redeem the option at a cash consideration equivalent to the final issue price of a share of the Subsidiary at the Listing. Payment of the redemption shall be made to the grantee within 30 days of the date of the Listing.

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

2007 ADPDL Share Option Scheme

Name or category of participant	Date of grant	Exercise price per share	Exercisable period	Granted during the year	Exercised during the year	Outstanding as at 31.03.2008
Directors						
Ting Ka Yu, Stephen	04.08.2007	HK$0.01	20.08.2007-09.09.2007	100,000	100,000	–
Ip Yut Kin	04.08.2007	HK$0.01	20.08.2007-09.09.2007	100,000	100,000	–
Tung Chuen Cheuk	04.08.2007	HK$0.01	20.08.2007-09.09.2007	50,000	50,000	–
	18.10.2007	HK$0.01	10.12.2007-23.12.2007	4,172	4,172	–
Employees						
In aggregate	04.08.2007	HK$0.01	20.08.2007-09.09.2007	420,000	420,000	–
	18.10.2007	HK$0.01	10.12.2007-23.12.2007	35,046	35,046	–
In aggregate and total outstanding						Nil

2007 NMPL Share Option Scheme

Name or category of participant	Date of grant	Exercise price per share	Exercisable period	Granted during the year	Exercised during the year	Outstanding as at 31.03.2008
Employees						
In aggregate	04.08.2007	HK$0.01	20.08.2007-09.09.2007	275,000	275,000	–
	18.10.2007	HK$0.01	10.12.2007-23.12.2007	7,778	7,778	–
In aggregate and total outstanding						Nil

Save for the above movements in the 2007 ADPDL Share Option Scheme and 2007 NMPL Share Option Scheme, no options were granted, exercised, lapsed or cancelled under the other Subsidiary Share Option Schemes during the year ended 31 March 2008.

The Company has used the Black-Scholes Model to assess the fair values of the share options granted under the 2007 ADPDL Share Option Scheme and 2007 NMPL Share Option Scheme during the year ended 31 March 2008. This is an appropriate method to assess the fair value of an option which can be exercised before the expiry of the option period.

The assumptions used in the calculation are as follows:

Risk free rate	2.85% per annum
Expected volatility	38.19% per annum
Expected dividend yield	0% per annum
Weighted expected term	5 years

According to the valuation, the value of the share options granted during the year was HK$219,000 for ADPDL and HK$1,894,000 for NMPL, respectively, and a total amount of HK$2,113,000 was therefore recognized in the consolidated income statement for the year ended 31 March 2008.

Details of the Subsidiary Share Option Schemes are also set out in note 32 to the Financial Statements.

Share Subscription and Financing Plan

The share subscription and financing plan adopted by the Company on 29 October 2007 (the "Plan") allows the Board to make invitations to eligible persons to subscribe for new Shares of the Company. Key terms of the Plan are summarized below:

1. The purpose of the Plan is to recognize the contributions of eligible persons (including employees and directors of the relevant Group subsidiary), to seek to retain them for the continued operation and development of the Group and to attract suitable personnel for the further development of the Group. Through the Plan, eligible persons are encouraged to re-invest part of their remuneration by way of equity participation into the Company, thus closely aligning their goals and interests with those of the Company and its shareholders as a whole.

2. The Plan also provides an alternative for the relevant eligible persons (except for directors of the relevant Group subsidiary) to apply for a loan from the relevant Group subsidiary in respect of all or part of the subscription price.

3. The eligible persons (including employees, whether part-time or full-time, and directors (including executive and non executive) of the relevant Group subsidiary) may be invited to participate except that a director of the relevant Group subsidiary cannot apply for a Plan loan.

4. The Plan has no set term and may be terminated or suspended by the Board at any time.

5. When invitations are made, the eligible persons may, after satisfaction of certain conditions such as length of service and performance targets, subscribe for the maximum number of new Shares (but not more) stated in the relevant invitation letter, at a price which shall not represent a discount of 20% or more to the higher of:

   (a) the closing price of the Shares on the invitation date; and

   (b) the average closing price of the Shares on the 5 trading days immediately prior to the invitation date.

6. The overall limit on the number of new Shares, which may be issued under the Plan shall not exceed 70,000,000 Shares, representing 2.90% of the issued share capital of the Company as at 29 October 2007. These Shares will be issued under the general mandate to issue shares available at the relevant time and as such part of the general mandate each year may be reserved for issue of Shares under the Plan.

7. After accepting an invitation to subscribe under the Plan, the eligible person may subscribe for such number of new Shares in respect of which he or she has accepted an invitation to subscribe after satisfaction of certain conditions such as service period and performance targets. Each invitation may have different conditions imposed thereon.

8. The table below sets out movements of the invitations for subscription issued pursuant to the Plan during the year:

Name or category of participant	Invitation date	Subscription price per Share	Subscription period	No. of Shares under relevant invitation	Cancelled during the year	Balance as at 31.03.2008
Directors						
Ting Ka Yu, Stephen	08.11.2007	HK$2.120	09.11.2008-07.11.2012	1,490,000	296,000	1,194,000
Tung Chuen Cheuk	08.11.2007	HK$2.120	09.11.2008-07.11.2012	1,650,000	–	1,650,000
Ip Yut Kin	08.11.2007	HK$2.120	09.11.2008-07.11.2012	1,060,000	–	1,060,000
Employees						
In aggregate	08.11.2007	HK$2.120	09.11.2008-07.11.2012	42,178,000	–	42,178,000
	25.02.2008	HK$2.490	26.02.2009-24.02.2013	1,000,000	–	1,000,000
Total outstanding						47,082,000

The vesting conditions of the invitations for subscription made under the Plan are as follows:

After 1st anniversary of the invitation date	1/3 vested
After 2nd anniversary of the invitation date	further 1/3 vested
After 3rd anniversary of the invitation date and before the expiry date of the subscription period	remaining 1/3 vested

The Company has used the Binomial Model to assess the fair value of a Share to be subscribed under the invitations made during the year ended 31 March 2008. It is an appropriate model to estimate the fair value of a Share to be subscribed under invitations before the expiry of the subscription period as stipulated in the invitations.

The assumptions used in the calculation are as follows:

Invitation date	Expected volatility	Risk-free rate	Expected dividend yield	Sub optimal early exercise factor	Expected rate of post vesting withdrawal
08.11.2007	40% pa	2.96% pa	6.5% pa	2 times	5% pa
25.02.2008	40% pa	2.48% pa	6.5% pa	2 times	5% pa

According to the valuation, the value of the Share to be subscribed under the invitations issued pursuant to the Plan during the year ended 31 March 2008 were as follows:

Invitation date	Binomial value (HK$)
08.11.2007	0.7980
25.02.2008	0.9102

An amount of HK$9,137,000 is recognized in the consolidated income statement for the year ended 31 March 2008 in respect of the value of the shares to be subscribed under the invitations made during the year. For details, please refer to note 32 to the Financial Statements.

In calculating the fair value of the shares to be subscribed under invitations made during the year ended 31 March 2008, no allowance has been made for forfeiture prior to vesting. It should be noted that the value of a Share to be subscribed under each invitation varies with different variables of certain subjective assumptions; and change in variables so adopted may materially affect the fair value estimate.

DIRECTORS

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

Executive Directors:
Mr. Lai Chee Ying, Jimmy *(Chairman and Chief Executive Officer)* ("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. Ting Ka Yu, Stephen and Mr. Fok Kwong Hang, Terry 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 64 to 68. Details of Directors' emoluments are provided under note 13 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 2008, 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**
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	–	–	–	1,618,000 (Note 1) 1,194,000 (Note 2)	2,902,314	0.12
Mr. Ip Yut Kin	10,200,377	2,630,000	–	–	1,060,000 (Note 2)	13,890,377	0.58
Mr. Tung Chuen Cheuk	3,472,800	130,000	–	–	3,000,000 (Note 1) 1,650,000 (Note 2)	8,252,800	0.34
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 Corporation*

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

ADPDL

	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**
Mr. Ting Ka Yu, Stephen	100,000 (Note 3)	–	–	–	–	100,000	0.93
Mr. Ip Yut Kin	100,000 (Note 3)	–	–	–	100,000 (Note 4)	200,000	1.86
Mr. Tung Chuen Cheuk	54,172 (Note 3)	–	–	–	–	54,172	0.51

Notes:

(1) These interests represented the share options granted by the Company under its 2000 Share Option Scheme to these Directors as beneficial owners, the details of which are set out in the Section headed "Share Options".

(2) These interests represented the Shares to be subscribed for under the invitations issued by the Company pursuant to its share subscription and financing plan to these Directors as beneficial owners, the details of which are set out in the Section headed "Share Subscription and Financing Plan".

(3) These interests represented the shares of ADPDL issued upon the exercise of the share options granted under the 2007 ADPDL Share Option Scheme during the year, the details of which are set out in the Section headed "Share Options".

(4) These interests represented the share options granted by ADPDL to the Director as beneficial owner under the 2002 ADPDL Share Option Scheme, 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 2008.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at 31 March 2008, 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 and so far as is known to any Director or Chief Executive of the Company:

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 Shares 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 and so far is known to any Director or Chief Executive of the Company as at 31 March 2008.

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 2008, 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 2008 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 as at 31 March 2008.

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 30 to the Financial Statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

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

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, 26 May 2008

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 90 to 147, which comprise the consolidated balance sheet and Company's balance sheet as at 31 March 2008, 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 2008 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
26 May 2008

Consolidated Income Statement

For the year ended 31 March 2008

	NOTES	2008 HK$'000	2007 HK$'000
Revenue	8	**3,483,794**	3,245,163
Production costs			
Cost of raw materials consumed		**(1,267,005)**	(1,208,051)
Other overheads		**(157,100)**	(148,563)
Staff costs		**(663,739)**	(672,428)
Personnel costs excluding direct production staff costs		**(446,812)**	(385,630)
Other income	8	**57,506**	41,372
Depreciation of property, plant and equipment		**(135,304)**	(156,588)
Release of prepaid lease payments to consolidated income statement		**(1,797)**	(1,797)
Other expenses		**(234,095)**	(290,518)
Finance costs	10	**(16,524)**	(9,384)
Profit before tax		**618,924**	413,576
Income tax expense	11	**(97,601)**	(71,163)
Profit for the year	12	**521,323**	342,413
Attributable to:			
Equity holders of the parent		**521,323**	344,435
Minority interests		**–**	(2,022)
		521,323	342,413
Dividends	15		
Interim dividend paid of HK5.0 cents (2006/2007: HK4.0 cents) per ordinary share		**120,591**	96,473
Final dividend paid of HK8.5 cents (2005/2006: HK18.0 cents) per ordinary share		**205,005**	268,529
Special dividend paid of HK9.0 cents (2005/2006: Nil) per ordinary share		**217,065**	–
		542,661	365,002
Earnings per share	17		
– Basic		**HK22 cents**	HK18 cents
– Diluted		**HK22 cents**	HK14 cents

Consolidated Balance Sheet

At 31 March 2008

	NOTES	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Intangible assets	18	**1,300,881**	1,300,881
Property, plant and equipment	20	**1,576,617**	1,571,665
Prepaid lease payments	21	**68,744**	70,541
Deferred tax assets	34	**–**	4,014
Deposit for acquisition of property, plant and equipment		**1,594**	5,442
		2,947,836	2,952,543
CURRENT ASSETS			
Inventories	23	**189,091**	202,739
Trade and other receivables	24	**581,204**	575,908
Prepaid lease payments	21	**1,797**	1,797
Derivative financial instruments	25	**972**	746
Restricted bank balances	26	**5,411**	5,411
Bank balances and cash	26	**872,003**	862,283
		1,650,478	1,648,884
CURRENT LIABILITIES			
Trade and other payables	27	**462,966**	485,700
Borrowings	28	**76,805**	127,186
Obligations under finance leases	29	**914**	887
Tax liabilities		**27,253**	21,534
		567,938	635,307
NET CURRENT ASSETS		**1,082,540**	1,013,577
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,030,376**	3,966,120
NON-CURRENT LIABILITIES			
Borrowings	28	**288,018**	285,352
Obligations under finance leases	29	**54**	718
Retirement benefits obligations	30	**20,207**	18,340
Deferred tax liabilities	34	**312,558**	304,887
		620,837	609,297
NET ASSETS		**3,409,539**	3,356,823

	NOTES	**2008 HK$'000**	2007 HK$'000
CAPITAL AND RESERVES			
Share capital	31	**2,411,829**	2,411,829
Reserves		**997,667**	944,956
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**3,409,496**	3,356,785
MINORITY INTERESTS		**43**	38
TOTAL EQUITY		**3,409,539**	3,356,823

The consolidated financial statements on pages 90 to 147 were approved and authorised for issue by the Board of Directors on 26 May 2008 and are signed on its behalf by:

Ting Ka Yu, Stephen
DIRECTOR

Tung Chuen Cheuk
DIRECTOR

Balance Sheet

At 31 March 2008

	NOTES	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	20	**143,231**	145,892
Prepaid lease payments	21	**30,814**	31,620
Interests in subsidiaries	22	**2,629,151**	2,626,014
		2,803,196	2,803,526
CURRENT ASSETS			
Other receivables	24	**763**	3,680
Prepaid lease payments	21	**806**	806
Amounts due from subsidiaries	22	**801,544**	871,547
Restricted bank balances	26	**5,411**	5,411
Bank balances and cash	26	**239,861**	401,895
		1,048,385	1,283,339
CURRENT LIABILITIES			
Other payables	27	**8,327**	15,054
Amounts due to subsidiaries	22	**1,059**	305,058
Financial guarantee contracts		**255**	215
		9,641	320,327
NET CURRENT ASSETS		**1,038,744**	963,012
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,841,940**	3,766,538
NON-CURRENT LIABILITY			
Deferred tax liabilities	34	**8,567**	1,967
NET ASSETS		**3,833,373**	3,764,571
CAPITAL AND RESERVES			
Share capital	31	**2,411,829**	2,411,829
Reserves	33	**1,421,544**	1,352,742
TOTAL EQUITY		**3,833,373**	3,764,571

Ting Ka Yu, Stephen
DIRECTOR

Tung Chuen Cheuk
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 March 2008

	Attributable to equity holders of the parent								
	Share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Share options reserve HK$'000	Accumulated profits HK$'000	Total HK$'000	Share option reserve of subsidiaries HK$'000	Minority interests HK$'000	Total HK$'000
At 1 April 2006	3,101,643	228,140	19,773	1,540	46,441	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 options	–	–	–	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	(9,539)	10,357	25,874	3,356,785	–	38	3,356,823
Exchange differences arising on translation of foreign operations recognised directly in equity	**–**	**–**	**50,504**	**–**	**–**	**50,504**	**–**	**–**	**50,504**
Profit for the year	**–**	**–**	**–**	**–**	**521,323**	**521,323**	**–**	**–**	**521,323**
Total recognised income and expenses for the year	**–**	**–**	**50,504**	**–**	**521,323**	**571,827**	**–**	**–**	**571,827**
Employee share options	**–**	**–**	**–**	**21,427**	**–**	**21,427**	**2,113**	**–**	**23,540**
Cancellation of share options	**–**	**–**	**–**	**(2,995)**	**2,995**	**–**	**–**	**–**	**–**
Exercise of share options of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**(2,113)**	**2,123**	**10**
Deemed disposal of interests in subsidiaries	**–**	**–**	**–**	**–**	**2,118**	**2,118**	**–**	**(2,118)**	**–**
Dividends	**–**	**–**	**–**	**–**	**(542,661)**	**(542,661)**	**–**	**–**	**(542,661)**
At 31 March 2008	**2,411,829**	**918,264**	**40,965**	**28,789**	**9,649**	**3,409,496**	**–**	**43**	**3,409,539**

Consolidated Cash Flow Statement

For the year ended 31 March 2008

	2008 HK$'000	2007 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**618,924**	413,576
Adjustments for:		
Finance costs	**16,524**	9,384
Allowance for bad and doubtful debts	**48,388**	15,367
Depreciation of property, plant and equipment	**135,304**	156,588
Release of prepaid lease payments to consolidated income statement	**1,797**	1,797
(Gain) loss on disposal of property, plant and equipment	**(164)**	645
Increase in fair value of derivative financial instruments	**(226)**	(576)
Share-based payment expense	**23,540**	8,817
Interest income	**(24,575)**	(17,371)
Operating cash flows before movements in working capital	**819,512**	588,227
Decrease in inventories	**4,839**	9,988
Increase in trade and other receivables	**(83,133)**	(22,583)
(Decrease) increase in trade and other payables	**(6,640)**	36,804
Increase (decrease) in retirement benefits obligations	**3,661**	(1,052)
Net cash generated from operations	**738,239**	611,384
Income tax paid	**(81,283)**	(67,222)
NET CASH FROM OPERATING ACTIVITIES	**656,956**	544,162
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(70,417)**	(114,371)
Deposit paid for acquisition of property, plant and equipment	**(1,594)**	(5,442)
Interest received	**24,575**	17,371
Proceeds from disposal of property, plant and equipment	**1,213**	1,767
NET CASH USED IN INVESTING ACTIVITIES	**(46,223)**	(100,675)

	2008 **HK$'000**	2007 HK$'000
FINANCING ACTIVITIES		
Dividend paid	**(542,661)**	(397,202)
Repayment of bank loans	**(446,274)**	(84,730)
Interest paid	**(16,524)**	(9,384)
Repayment of obligations under finance leases	**(637)**	(486)
Capital contribution from minority shareholders	**10**	–
New loans raised	**384,026**	240,000
Proceeds from exercise of share options	**–**	310
NET CASH USED IN FINANCING ACTIVITIES	**(622,060)**	(251,492)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(11,327)**	191,995
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**862,283**	671,033
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**21,047**	(745)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**872,003**	862,283

Notes to the Consolidated Financial Statements

For the year ended 31 March 2008

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 registered office address of the Company is 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 39.

2. CHANGE IN ACCOUNTING POLICY

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 to be used solely for the publishing and printing of newspapers, magazines, directories and books. The Group's and the Company's interests in the properties are transferable subject to the right of first refusal to purchase by HKSTP.

Since the use of the properties in Hong Kong is restricted to specific industry and the properties are not freely transferable in the market, the Directors have considered that measuring these properties using the cost model would result in a more appropriate presentation. The Group and the Company have changed its measurement of these properties from revaluation model to cost model in the current period. The change in measurement had no material effect on the results or financial position of the Group and the Company for the current or prior accounting periods.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group and the Company has applied, for the first time, a number of new standard, amendment 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 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HKIFRIC – Int 7	Applying the Restatement Approach HKAS 29 Financial Reporting in Hyperinflationary Economies
HKIFRIC – Int 8	Scope of HKFRS 2
HKIFRIC – Int 9	Reassessment of Embedded Derivatives
HKIFRIC – Int 10	Interim Financial Reporting and Impairment
HKIFRIC – Int 11	HKFRS 2: Group and Treasury Share Transactions

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7, retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

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

The Group and the Company have not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKFRS 2 (Amendment)	Share-based Payment: Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HKIFRIC – Int 12	Service Concession Arranagements[3]
HKIFRIC – Int 13	Customer Loyalty Programmes[4]
HKIFRIC – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2009
[3] Effective for annual periods beginning on or after 1 January 2008
[4] Effective for annual periods beginning on or after 1 July 2008

The Directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and the financial position of the Group and the Company, except for the adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment on changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at 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.

Changes in equity interest in a subsidiary

The Group regards acquisition/disposal of partial interest in the equity of a subsidiary with minority interest without changes in control as transactions with equity owners of the Group. When additional equity interest in a subsidiary is acquired, any difference between the consideration paid and the relevant share of the carrying value of the subsidiary's net assets acquired is recorded in equity. When partial interest in a subsidiary is disposed to minority interest, any difference between the proceeds received and relevant share of minority interest is also recorded in equity.

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 or receivables and represents amounts received and receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

(i) Sales of magazines and newspapers are recognised on the date of delivery, net of allowances for 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 (masthead and publishing right of the Group's newspapers and magazines) acquired separately and from business combinations are recognised at cost and fair value respectively. After initial recognition, the intangible assets 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

Property, plant and equipment other than freehold land are stated at cost 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 cost less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Freehold land is stated at cost less any subsequent accumulated impairment losses.

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 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.

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 the 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

(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 independent 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.

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 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 financial statements.

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

At 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.

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 remaining 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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 is 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 ("FVTPL") 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 FVTPL include derivatives deemed as financial assets held for trading. At each balance sheet date subsequent to initial recognition, financial assets of FVTPL 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, restricted bank balances and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments.

Impairment of financial assets

Financial assets other than those FVTPL are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

The financial assets are assessed to be impaired individually. Objective evidence of impairment for receivable could include the Group's past experience of collecting payments, an increase in the number of delayed payments beyond the average credit period of 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

An impairment loss is recognised in 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.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, and amounts due from subsidiaries, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in consolidated income statement. When trade and other receivables, and amounts due from subsidiaries are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to consolidated income statement.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through consolidated income statement to the extent 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

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 designated 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 contract 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 expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the consolidated income statement.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 2008, the Group had estimated unused tax losses of approximately HK$678,531,000 (2007: HK$824,053,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$37,885,000 (2007: HK$92,324,000) of such losses. No deferred tax assets has been recognised on the tax losses of approximately HK$640,646,000 (2007: HK$731,729,000) 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.

Provision for litigation

The management of the Group monitor any litigation against the Group closely. Provision for the litigation is made based on the opinion of the legal adviser on the possible outcome and liability of the Group. As at 31 March 2008, an amount of approximately HK$47,239,000 (2007: HK$85,238,000) has been provided for outstanding litigations. Details are set out in note 35.

Impairment loss of trade receivables

In determining whether there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the carrying amount of the assets and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years. The capital structure of the Group consists of debt, which includes bank borrowings disclosed in note 28, and equity attributable to equity holders of the Company, comprising share capital, share premium and reserves.

7. FINANCIAL INSTRUMENTS

7a. Categories of financial instruments

	2008 **HK$'000**	2007 HK$'000
THE GROUP		
Financial assets		
Loans and receivables at amortised cost (including cash and cash equivalents)	**1,425,243**	1,400,199
Fair value through profit or loss	**972**	746
Financial liabilities		
Liabilities at amortised cost	**496,259**	564,267

	2008 **HK$'000**	2007 HK$'000
THE COMPANY		
Financial assets		
Loans and receivables at amortised cost (including cash and cash equivalents)	**1,047,579**	1,279,622
Financial liabilities		
Liabilities at amortised cost	**1,059**	305,058
Financial guarantee contracts	**255**	215

7b. 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, restricted bank balances and amounts due from/to subsidiaries. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 1% of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sale, whilst almost 51% of production costs are denominated in the group entity's functional currency.

7. FINANCIAL INSTRUMENTS *(continued)*

7b. Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

Currency risk (continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
United States Dollar ("USD")	**52,059**	74,213	**10,538**	8,936
Pound Sterling ("GBP")	**–**	–	**834**	319
Australian Dollar ("AUD")	**–**	–	**1,907**	1,215

Sensitivity analysis

The Group is mainly exposed to the GBP and AUD as USD is pegged to HKD. The following table details the Group's sensitivity to a 5% increase and decrease in Hong Kong dollars against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit and other equity where Hong Kong dollars strengthen 5% against the relevant currency. For a 5% weakening of Hong Kong dollars against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	GBP Impact		AUD Impact	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Decrease in profit	**(42)**	(17)	**(95)**	(63)

The Group's sensitivity to foreign currency has increased during the current year mainly due to increase in AUD transaction in the current financial year which has resulted in higher AUD denominated receivables.

Cash flow interest rate risk

The Group's cash flow interest rate risk relates primarily to variable-rate bank borrowings (see note 28 for details of these borrowings) 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 fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of a base rate of Taiwan Commercial Paper 51328. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

7. FINANCIAL INSTRUMENTS *(continued)*

7b. Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to market interest rates for non-derivative instruments at the balance sheet date. For variable-rate bank borrowings, the analysis is prepared assuming the amount outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

At the respective balance sheet dates, if market interest rates had been increased/decreased by 50 basis points and all other variables were held constant, the Group's profit would decrease/increase by approximately HK$1,824,000 for the year ended 31 March 2008 (2007: HK$2,063,000), respectively.

Other price risk

The Group is exposed to other price risk because the fair value of the derivative financial instruments is measured by reference to the prevailing rate of certain foreign currency. Details of the derivative financial instruments are set out in note 25.

The Group currently does not have a policy to hedge the other price risk. However, the management closely monitors such risk by maintaining a portfolio of investments with different risks.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to foreign exchange rates for derivative financial instruments at the balance sheet date. The analysis is prepared assuming the amount outstanding at the balance sheet date was outstanding for the whole year. A 5% increase or decrease is used when reporting foreign exchange rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in the prevailing rate of certain foreign currency.

At the respective balance sheet dates, if the foreign exchange rates of the foreign currency had been increased/decreased by 5% and all other variables were held constant, the Group's profit would decrease/increase by approximately HK$49,000 for the year ended 31 March 2008 (2007: HK$37,000), respectively.

7. FINANCIAL INSTRUMENTS *(continued)*

7b. Financial risk management objectives and policies *(continued)*

Credit risk

The Company

As at 31 March 2008, the Company'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 and financial guarantees issued by the Company is 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 35(c).

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

The Group

As at 31 March 2008, the Group'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 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 has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual 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 large number of counterparties and customers.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 March 2008, the Group has total available unutilised overdraft and short-term bank loan facilities of approximately HK$436,456,000 (2007: HK$334,547,000), respectively.

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

7. FINANCIAL INSTRUMENTS *(continued)*

7b. Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

Liquidity and interest risk tables

THE GROUP	Weighted average effective interest rate %	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March 2008 HK$'000
2008							
Non-derivative financial liabilities							
Trade and other payables	–	69,184	49,217	12,067	–	130,468	130,468
Borrowings	3.4	7,437	22,202	58,406	306,842	394,887	364,823
Obligations under finance lease	5.2	83	167	751	63	1,064	968
		76,704	71,586	71,224	306,905	526,419	496,259

THE COMPANY	Weighted average effective interest rate %	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March 2008 HK$'000
2008							
Non-derivative financial liabilities							
Amounts due to subsidiaries	–	1,059	–	–	–	1,059	1,059

7. FINANCIAL INSTRUMENTS *(continued)*

7b. Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

Liquidity and interest risk tables (continued)

THE GROUP	Weighted average effective interest rate %	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March 2007 HK$'000
2007							
Non-derivative financial liabilities							
Trade and other payables	–	113,853	22,977	13,294	–	150,124	150,124
Borrowings	4.3	8,060	24,039	110,227	299,786	442,112	412,538
Obligations under finance lease	5.2	78	157	704	814	1,753	1,605
		121,991	47,173	124,225	300,600	593,989	564,267

THE COMPANY	Weighted average effective interest rate %	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March 2007 HK$'000
2007							
Non-derivative financial liabilities							
Amounts due to subsidiaries	–	305,058	–	–	–	305,058	305,058

7c. Fair value

- the fair value of derivative instruments with standard terms and conditions and traded on active liquid market are determined with reference to the prevailing rate of certain foreign currency.

- 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.

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.

8. REVENUE AND OTHER INCOME

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

	2008	2007
	HK$'000	HK$'000
Revenue		
Sales of newspapers	**793,283**	775,029
Sales of books and magazines	**266,582**	269,108
Newspapers advertising income	**1,490,512**	1,389,839
Books and magazines advertising income	**606,123**	563,873
Printing and reprographic services income	**287,856**	215,966
Advertising income, internet subscription and content provision ("Internet businesses")	**39,438**	31,348
	3,483,794	3,245,163
Other income		
Sales of waste materials	**24,748**	19,528
Interest income on bank deposits	**24,575**	17,371
Rental income	**1,529**	1,564
Others	**6,654**	2,909
	57,506	41,372

9. 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	**Principal activities**
Newspapers publication and printing	Sales of newspapers, relevant printing and advertising in Hong Kong and Taiwan
Books and magazines publication	Sales of books and magazines and advertising in Hong Kong and Taiwan
Books and magazines printing	Provision of printing and reprographic services in Hong Kong, North America, Europe and Australasia
Internet businesses	Sales of advertising income, internet subscription and content provision in Hong Kong and Taiwan

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

9. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Analysis of business segment results for the year ended 31 March 2008

	Newspapers publication and printing HK$'000	Books and magazines publication HK$'000	Books and magazines printing HK$'000	Internet businesses HK$'000	Eliminations HK$'000	Consolidated HK$'000
CONSOLIDATED INCOME STATEMENT						
REVENUE						
External sales	2,449,506	872,705	122,145	39,438	–	3,483,794
Inter-segment sales	1,742	396	177,408	253	(179,799)	–
	2,451,248	873,101	299,553	39,691	(179,799)	3,483,794
Segment results	462,658	127,621	66,512	(21,251)	–	635,540
Unallocated expenses						(32,850)
Unallocated income						32,758
Finance costs						(16,524)
Profit before tax						618,924
Income tax expense						(97,601)
Profit for the year						521,323
CONSOLIDATED BALANCE SHEET						
Segment assets	2,857,924	552,814	269,982	40,180	–	3,720,900
Unallocated assets						877,414
Total assets						4,598,314
Segment liabilities	(277,100)	(140,237)	(49,567)	(13,651)	–	(480,555)
Unallocated liabilities						(708,220)
Total liabilities						(1,188,775)

	Newspapers publication and printing HK$'000	Books and magazines publication HK$'000	Books and magazines printing HK$'000	Internet businesses HK$'000	Corporate HK$'000	Consolidated HK$'000
OTHER INFORMATION						
Capital expenditure	(16,083)	(7,991)	(20,965)	(30,820)	–	(75,859)
Depreciation of property, plant and equipment	(103,369)	(12,343)	(14,604)	(4,988)	–	(135,304)
Release of prepaid lease payments to consolidated income statement	(991)	–	(806)	–	–	(1,797)
Allowance for bad and doubtful debts	(32,245)	(13,217)	(1,109)	(1,817)	–	(48,388)
Share-based payment expense	(219)	(1,894)	–	–	(21,427)	(23,540)
(Loss) gain on disposal of property, plant and equipment	(64)	216	43	(31)	–	164

9. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

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$'000	Internet businesses HK$'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	316,556	45,839	55,179	12,022	–	429,596
Unallocated expenses						(28,480)
Unallocated income						21,844
Finance costs						(9,384)
Profit before tax						413,576
Income tax expense						(71,163)
Profit for the year						342,413
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)

	Newspapers publication and printing HK$'000	Books and magazines publication HK$'000	Books and magazines printing HK$'000	Internet businesses HK$'000	Corporate HK$'000	Consolidated HK$'000
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)

9. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Geographical segments

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

	2008 HK$'000	2007 HK$'000
Hong Kong	**1,968,373**	1,817,186
Taiwan	**1,440,064**	1,353,260
North America	**39,453**	43,714
Europe	**22,142**	23,483
Australasia	**10,890**	6,767
Others	**2,872**	753
	3,483,794	3,245,163

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:

	2008		2007	
	Segment assets HK$'000	**Capital expenditure HK$'000**	Segment assets HK$'000	Capital expenditure HK$'000
Hong Kong	**2,456,547**	**48,388**	2,512,728	26,670
Taiwan	**1,260,455**	**27,452**	1,213,124	115,663
North America	**3,898**	**19**	3,867	41
	3,720,900	**75,859**	3,729,719	142,374

10. FINANCE COSTS

	2008 HK$'000	2007 HK$'000
Interest expenses on bank borrowings wholly repayable within five years	**16,472**	9,369
Interest expense on finance lease	**52**	15
	16,524	9,384

11. INCOME TAX EXPENSE

	2008 HK$'000	2007 HK$'000
Current tax:		
Hong Kong	**72,967**	75,145
Taiwan	**8,775**	3,047
Other jurisdictions	**38**	217
Underprovision in prior years	**4,136**	3,077
	85,916	81,486
Deferred tax (note 34):		
Current year	**11,685**	(10,323)
	97,601	71,163

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

Taiwan Profits Tax is calculated at 25% (2007: 22%) of the estimated assessable profits for the 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:

	2008 HK$'000	2007 HK$'000
Profit before tax	**618,924**	413,576
Tax at Hong Kong Profits Tax rate of 17.5%	**108,311**	72,376
Tax effect of expenses not deductible for tax purpose	**5,048**	2,849
Tax effect of income not taxable for tax purpose	**(4,917)**	(3,409)
Underprovision in prior years	**4,136**	3,077
Tax effect of tax losses not recognised	**9,956**	14,478
Tax effect of deferred tax assets not recognised	**–**	199
Utilisation of tax losses previously not recognised	**(25,895)**	(10,844)
Utilisation of deferred tax assets previously not recognised	**–**	(5,676)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**962**	(1,887)
Tax charge for the year	**97,601**	71,163

12. PROFIT FOR THE YEAR

	2008 HK$'000	2007 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Allowance for bad and doubtful debts	**48,388**	15,367
Auditor's remuneration	**2,212**	2,040
Costs of raw materials consumed in production	**1,267,005**	1,208,051
Operating lease expenses on:		
Properties	**6,848**	6,250
Plant and equipment	**13,384**	12,801
(Reversal) provision for legal and professional fees (included in other expenses)	**(18,166)**	56,206
Staff costs (note 16)	**1,110,551**	1,058,058
(Gain) loss on disposal of property, plant and equipment	**(164)**	645
Net foreign exchange gain	**(20,309)**	(15,855)
Increase in fair value of derivative financial instruments	**(226)**	(576)

13. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the 7 (2007: 7) Directors were as follows:

2008

	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	230	200	230	300	300	300	1,760
Other emoluments								
Salaries and other benefits	4,089	2,955	2,761	3,676	–	–	–	13,481
Performance related incentive payments (Note)	–	958	79	1,102	–	–	–	2,139
Share based payment	–	260	235	1,415	–	–	–	1,910
Pension costs – defined contribution plans	–	126	95	101	–	–	–	322
Total emoluments	4,289	4,529	3,370	6,524	300	300	300	19,612

13. DIRECTORS' EMOLUMENTS *(continued)*

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	2,737	3,896	4,304	–	–	–	13,786
Performance related incentive payments (Note)	–	651	–	270	–	–	–	921
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

Note: The performance related incentive payment is determined as a percentage of profit for the year of the respective business unit for both years.

The emoluments disclosed above include expenses of HK$3,005,000 (2007: HK$2,460,000) paid by the Group under two operating leases in respect of residential accommodation provided to an Executive Director.

During the years ended 31 March 2008 and 2007, no Director waived or agreed to waive any emoluments.

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2007: four) were Directors of the Company whose emoluments are included in the disclosure in note 13 above. The emoluments of the remaining one (2007: one) individual were as follows:

	2008 HK$'000	2007 HK$'000
Salaries and other benefits	**2,992**	4,128
Pension costs – defined contribution plan	**105**	148
	3,097	4,276

15. DIVIDENDS

Dividends recognised as distribution during the year:

	2008 HK$'000	2007 HK$'000
Ordinary shares:		
Interim dividend, paid – HK5.0 cents (2006/2007: HK4.0 cents) per share	**120,591**	96,473
Final dividend, paid for 2006/2007 – HK8.5 cents (2006/2007: HK18.0 cents for 2005/2006) per share	**205,005**	268,529
Special dividend, paid – 2006/2007 – HK9.0 cents (2005/2006: Nil) per share	**217,065**	–
	542,661	365,002

The final dividend of HK9.0 cents (2006/2007: HK8.5 cents) and a special dividend of HK10.0 cents (2006/2007: HK9.0 cents) per ordinary share have been proposed by the Directors and is subject to approval by the shareholders in annual general meeting.

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

16. STAFF COSTS

	2008 HK$'000	2007 HK$'000
Wages, salaries and other benefits	**1,042,283**	1,008,664
Pension costs – defined contribution plans, net of forfeited contributions (note 30(a) and (b))	**43,283**	41,433
Pension costs – defined benefits plans (note 30(c))	**1,445**	(856)
Share based payment	**23,540**	8,817
	1,110,551	1,058,058

The staff costs for the year ended 31 March 2008 included Directors' emoluments of HK$19,612,000 (2007: HK$18,421,000) as set out in note 13.

17. EARNINGS PER SHARE

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

Earnings	2008 HK$'000	2007 HK$'000
Profit for the year attributable to equity holders of the parent	**521,323**	344,435

17. EARNINGS PER SHARE *(continued)*

Number of shares

	2008	2007
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,411,828,881**	1,940,435,057
Share options	**4,817,985**	1,968,396
Convertible preference shares	**–**	471,342,466
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,416,646,866**	2,413,745,919

18. INTANGIBLE ASSETS

	Masthead and publishing rights HK$'000
THE GROUP	
COST	
At 1 April 2006, 31 March 2007 and 31 March 2008	1,482,799
ACCUMULATED IMPAIRMENT	
At 1 April 2006, 31 March 2007 and 31 March 2008	181,918
CARRYING VALUES	
At 31 March 2008 and 31 March 2007	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 has been tested for impairment annually and whenever there is an indication that it may be impaired. Particulars of the impairment testing are disclosed in note 19.

19. IMPAIRMENT TESTING ON INTANGIBLE ASSETS WITH INDEFINITE-USEFUL LIVES

As explained in note 9, the Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, masthead and publishing rights with indefinite useful lives set out in note 18 have been allocated to two individual cash generating units ("CGUs"), represented by 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	
	2008 HK$'000	2007 HK$'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

19. IMPAIRMENT TESTING ON INTANGIBLE ASSETS WITH INDEFINITE-USEFUL LIVES *(continued)*

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% (2007: 3%), and a pre-tax discount rate of 11.4% (2007: 12.7%). 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.

20. 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 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
Exchange difference	35,172	2,091	40,568	11,955	30	89,816
Additions	–	12,757	21,512	39,626	1,964	75,859
Disposals	–	(35)	(2,190)	(11,241)	(2,074)	(15,540)
At 31 March 2008	880,436	67,874	1,280,619	283,380	6,889	2,519,198
ACCUMULATED DEPRECIATION						
At 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
Exchange difference	829	392	11,967	11,146	36	24,370
Charge for the year	14,434	3,275	83,717	32,860	1,018	135,304
Disposals	–	(2)	(2,168)	(10,888)	(1,433)	(14,491)
At 31 March 2008	50,993	23,176	638,455	226,391	3,566	942,581
CARRYING VALUES						
At 31 March 2008	829,443	44,698	642,164	56,989	3,323	1,576,617
At 31 March 2007	809,534	33,550	675,790	49,767	3,024	1,571,665

20. 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 2006	145,032	12,251	–	157,283
Additions	–	1,218	6	1,224
At 31 March 2007	145,032	13,469	6	158,507
Additions	–	1,446	–	1,446
At 31 March 2008	145,032	14,915	6	159,953
ACCUMULATED DEPRECIATION				
At 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
Charge for the year	3,353	753	1	4,107
At 31 March 2008	13,433	3,287	2	16,722
CARRYING VALUES				
At 31 March 2008	131,599	11,628	4	143,231
At 31 March 2007	134,952	10,935	5	145,892

As at 31 March 2008, the carrying value of the Group's and the Company's land and buildings comprised the following:

	2008		2007	
	THE GROUP HK$'000	**THE COMPANY HK$'000**	THE GROUP HK$'000	THE COMPANY HK$'000
Buildings situated in Hong Kong under long lease	**388,792**	**131,599**	398,678	134,952
Freehold land and buildings situated outside Hong Kong	**440,651**	**–**	410,856	–
	829,443	**131,599**	809,534	134,952

20. 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) At 31 March 2008, certain of the Group's freehold land and buildings with a total carrying value of HK$429,864,000 (2007: HK$617,930,000) were pledged as security for the Group's banking facilities (note 28).

(b) At 31 March, 2008, certain plant and machinery with an aggregate carrying value of HK$313,129,000 (2007: HK$324,012,000) were pledged as security for the Group's banking facilities (note 28).

(c) At 31 March 2008, certain of the Group's furniture, fixtures and equipment with a total carrying value of HK$755,000 (2007: HK$1,452,000) were under finance lease obligation.

During the year, the Group has changed its measurement of properties from valuation model to cost model. The change in measurement had no material effect on the results or financial position of the Group for the current or prior accounting periods. Please refer to note 2 for details.

21. PREPAID LEASE PAYMENTS

	THE GROUP		**THE COMPANY**	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
The prepaid lease payments comprise of long-term leasehold land in Hong Kong	**70,541**	72,338	**31,620**	32,426
Analysed of reporting purposes as:				
Current asset	**1,797**	1,797	**806**	806
Non-current asset	**68,744**	70,541	**30,814**	31,620
	70,541	72,338	**31,620**	32,426

At 31 March 2008, certain of the Group's prepaid lease payments with carrying amount of approximately HK$Nil (2007: HK$39,912,000) were pledged as securities for the Group's banking facilities (note 28).

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

	THE COMPANY	
	2008	2007
	HK$'000	HK$'000
Unlisted shares, at cost less allowance	**2,620,000**	2,620,000
Deemed capital contribution (Note)	**9,151**	6,014
	2,629,151	2,626,014
Amounts due from subsidiaries, net of allowance shown as current asset	**801,544**	871,547
Amounts due to subsidiaries shown as current liability	**(1,059)**	(305,058)

Note: Included in the deemed capital contribution is fair value of guarantee offered by the Company to its subsidiaries in relation to the banking facilities granted to subsidiaries.

As at 31 March 2008, all balances with subsidiaries are unsecured, interest free and repayable on demand.

Particulars of the Company's principal subsidiaries at 31 March 2008 are set out in note 39.

23. INVENTORIES

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Raw materials	**185,911**	200,108
Work in progress	**2,445**	2,193
Finished goods	**735**	438
	189,091	202,739

24. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**621,517**	562,596	**–**	–
Less: allowance for doubtful debts	**(98,972)**	(52,207)	**–**	–
	522,545	510,389	**–**	–
Prepayments	**15,058**	22,085	**–**	–
Rental and other deposits	**18,317**	21,318	**–**	2,911
Others	**25,284**	22,116	**763**	769
Trade and other receivables	**581,204**	575,908	**763**	3,680

The Group allows credit terms of 7 to 120 days to its trade customers. The following is an aged analysis of the trade receivables after deducting the allowance for doubtful debts at the balance sheet date:

	2008	2007
	HK$'000	HK$'000
0 – 1 month	**267,343**	238,372
1 – 3 months	**239,853**	232,882
Over 3 months	**15,349**	39,135
	522,545	510,389

Included in the Group's trade receivable balances are debtors with an aggregate carrying amount of HK$15,349,000 (2007: HK$39,135,000) which are past due at the reporting date for which the Group has not provided for impairment loss as the directors assessed that the balances will be recovered base on their settlement records. The Group does not hold any collateral over these balances.

The following is an aged analysis of trade receivables which are past due but not impaired:

	2008	2007
	HK$'000	HK$'000
Over 3 months	**15,349**	39,135

The Group does not hold any collateral over other receivables. The Group has not provided for impairment loss as the directors assessed that the balances will be recovered base on their settlement records.

24. TRADE AND OTHER RECEIVABLES *(continued)*

Movement in the allowance for doubtful debts

	2008	2007
	HK$'000	HK$'000
Balance at beginning of the year	**52,207**	38,717
Impairment losses recognised on receivables	**48,388**	15,367
Amounts written off as uncollectible	**(1,623)**	(1,877)
Balance at end of the year	**98,972**	52,207

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$98,972,000 (2007: HK$52,207,000) which have delayed payments. The Group does not hold any collateral over these balances.

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

	2008		2007	
	Denominated currency '000	**Equivalent to HK$'000**	Denominated currency '000	Equivalent to HK$'000
USD	**1,353**	**10,538**	1,150	8,936
GBP	**54**	**834**	22	319
AUD	**268**	**1,907**	198	1,215

25. DERIVATIVE FINANCIAL INSTRUMENTS

	THE GROUP	
	2008	2007
	Assets	Assets
	HK$'000	HK$'000
Forward foreign currency contracts	**972**	746

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

Notional amount	**Maturity**	**Exchange rates**
Buy US$1,000,000 when exchange rate is higher than HK$7.69 to US$1 or buy US$3,000,000 when exchange rate is lower than HK$7.69 to US$1	Various maturity dates up to 22 February 2010	HK$7.69 to US$1

26. RESTRICTED BANK BALANCES/BANK BALANCES AND CASH

THE GROUP AND THE COMPANY

As at 31 March 2008, bank balances amounting to HK$5,411,000 (2007: 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 2.17% per annum.

Included in bank balances and cash was an amount of approximately HK$846,604,000 (2007: HK$722,243,000) placed in time deposits for periods from 1 day to a period not exceeding twelve months. Such deposits bear variable interest between at 0.425% and 2.75% (2007: 1.26% and 5.06%) per annum. The effective interest rate is 1.5875% (2007: 3.16%) per annum.

The remaining bank balances placed in saving accounts, which bear variable interest at 0.1% (2007: 0.1%) per annum.

27. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**130,468**	150,124	**–**	–
Accrued charges (Note)	**332,498**	335,576	**8,327**	15,054
Trade and other payables	**462,966**	485,700	**8,327**	15,054

Note: The accrued charges include an amount of HK$47,239,000 (2007: HK$85,238,000) accrued for legal and professional expenses relating to a number of legal proceedings disclosed in note 35.

27. TRADE AND OTHER PAYABLES *(continued)*

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

	2008 **HK$'000**	2007 HK$'000
0 – 1 month	**92,484**	107,286
1 – 3 months	**24,441**	29,584
Over 3 months	**13,543**	13,254
	130,468	150,124

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

	2008 **Denominated currency** **'000**	2007 Denominated currency '000
USD	**6,687**	9,500
Equivalent to	**HK$52,059**	HK$74,213

28. BORROWINGS

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

	2008 **HK$'000**	2007 HK$'000
Carrying amount repayable		
– within one year	**76,805**	127,186
– in the second year	**76,805**	140,149
– in the third year	**76,805**	81,203
– in the fourth year	**76,805**	64,000
– in the fifth year	**57,603**	–
	364,823	412,538
Less: Amount due within one year shown under current liabilities	**(76,805)**	(127,186)
Non-current portion	**288,018**	285,352

All bank loans are variable-rate borrowings which carry interests at a base rate of Commercial Paper 51328 plus 0.65% per annum (2007: one to three months Hong Kong Interbank Offered Rate plus 0.71875% per annum, except for certain loans from banks in Taiwan which carry interest at or one month to two years Taiwan Post fixed deposit rate plus 0.6% to 2.25% per annum).

The average effective interest rates (which are equal to contractual interest rates) of borrowings is 3.41%. (2007: 4.25%) per annum.

29. 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		Present value of minimum lease payments	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases				
Within one year	**1,001**	939	**914**	887
In more than one year but not more than two years	**63**	751	**54**	664
In more than two years but not more than three years	**–**	63	**–**	54
	1,064	1,753	**968**	1,605
Less: future finance charges	**(96)**	(148)	**N/A**	N/A
Present value of lease obligations	**968**	1,605	**968**	1,605
Less: Amount due for settlement with 12 months (shown under current liabilities)			**(914)**	(887)
Amount due for settlement after 12 months			**54**	718

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

30. RETIREMENT BENEFITS PLANS

	2008 **HK$'000**	2007 HK$'000
Obligations on:		
Pensions – defined contribution plans (Note (a) & (b))	**3,184**	2,771
Pensions – defined benefit plans (Note (c))	**20,207**	18,340
	23,391	21,111

Notes:

Hong Kong

Defined contribution plan

(a) The Group operates two (2007: two) 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.

In 2008, forfeited contributions totalling HK$866,000 were utilised during the year (2007: HK$1,735,000). At 31 March 2008 and 2007, the Group has no balance available to reduce future contributions in respect of the HK Schemes.

As at 31 March 2008, the Group had no contributions payable under the HK Schemes and the MPF Scheme (2007: HK$Nil) which is included in trade and other payables 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 2008 and 31 March 2007.

As at 31 March 2008, the Group had contributions payable under the Taiwan defined contribution scheme totalling HK$3,184,000 (2007: HK$2,771,000) which is included in trade and other payables under current liabilities in the consolidated balance sheet.

30. RETIREMENT BENEFITS PLANS *(continued)*

Defined benefit plans

(c) The Group also operates three (2007: three) 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 2008, the Taiwan Schemes were valued by a qualified actuary, ClientView Management Consulting Co., Ltd., using the projected unit credit method.

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

	2008	2007
	%	%
Discount rate	**3.00**	2.50
Expected rate of return on plan assets	**2.50**	2.50
Expected rate of future salary increases	**3.00**	3.00

Amounts recognised in consolidated income statement in respect of these defined benefit plans are as follows:

	2008	2007
	HK$'000	HK$'000
Current service cost	**866**	680
Interest on obligation	**845**	898
Expected return on plan assets	**(331)**	(269)
Expected return on reimbursement rights	**65**	(2,165)
	1,445	(856)

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:

	2008	2007
	HK$'000	HK$'000
Present value of funded defined benefit obligations	**39,287**	33,352
Fair value of plan assets	**(13,806)**	(11,166)
	25,481	22,186
Net actuarial losses not recognised	**(5,274)**	(3,846)
Net liability arising from defined benefit obligation	**20,207**	18,340

31. 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 2006 and 1 April 2007	1,160,000,000	2,030,000	2,570,000,000	2,570,000
Alternation of the authorised share capital	(1,160,000,000)	(2,030,000)	2,030,000,000	2,030,000
At 31 March 2008	–	–	4,600,000,000	4,600,000

	Issued and fully paid			
	Preference shares		Ordinary shares	
	No. of shares	HK$'000	No. of shares	HK$'000
At 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 and 2008	–	–	2,411,828,881	2,411,829

	2008 & 2007 HK$'000
Total issued and fully paid share capital	
Ordinary shares of HK$1.00 each	2,411,829

32. SHARE OPTION SCHEMES

(a) Share Option Schemes adopted by the Company

2000 Share Option Scheme

A share option scheme was adopted by the Company on 29 December 2000 (the "2000 Share 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.

On 30 July 2007, the Company adopted another share option scheme (the "2007 Share Option Scheme"). Upon adoption of the 2007 Share Option Scheme, the operation of the 2000 Share Option Scheme was terminated. However, share options granted under the 2000 Share Option Scheme, which remain unexpired, shall continue to be exercisable in accordance with their terms of issue.

No options were granted under the 2007 Share Option Scheme during the year.

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

				Number of options					
Category of grantee	**Date of grant**	**Exercise price per share**	**Expiry date**	**Balance as at 01.04.2007**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Cancelled during the year**	**Balance as at 31.03.2008**
Directors	18.03.2002	HK$1.670	28.12.2010	1,618,000	–	–	–	–	1,618,000
	06.12.2006	HK$3.102	28.12.2010	3,000,000	–	–	–	–	3,000,000
	25.01.2007	HK$2.600	28.12.2010	3,500,000	–	–	–	(3,500,000)	–
Employees	18.03.2002	HK$1.670	28.12.2010	1,324,000	–	–	–	–	1,324,000
	24.08.2005	HK$3.325	28.12.2010	1,000,000	–	–	–	–	1,000,000
	06.12.2006	HK$3.102	28.12.2010	14,850,000	–	–	–	–	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$2.760	28.12.2010	400,000	–	–	–	–	400,000
				27,292,000	–	–	–	(3,500,000)	23,792,000
Exercisable at the end of the year									23,792,000
Weighted average exercise price				2.879	–	–	–	(2.600)	2.921

32. SHARE OPTION SCHEMES *(continued)*

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

2000 Share Option Scheme *(continued)*

				Number of options					
Category of grantee	Date of grant	Exercise price per share	Expiry date	Balance as at 01.04.2006	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled/ Replaced during the year	Balance as at 31.03.2007
Directors	18.03.2002	HK$1.670	28.12.2010	1,618,000	–	–	–	–	1,618,000
	18.01.2006	HK$3.750	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$2.600	28.12.2010	–	3,500,000	–	–	–	3,500,000
Employees	18.03.2002	HK$1.670	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$3.750	28.12.2010	6,100,000	–	–	(500,000)	(5,600,000)	–
	01.03.2006	HK$4.350	28.12.2010	1,000,000	–	–	–	(1,000,000)	–
	26.06.2006	HK$4.200	28.12.2010	–	1,000,000	–	–	(1,000,000)	–
	25.10.2006	HK$4.150	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$2.760	28.12.2010	–	400,000	–	–	–	400,000
				14,691,600	30,850,000	(185,600)	(1,964,000)	(16,100,000)	27,292,000
Exercisable at the end of the year									27,292,000
Weighted average exercise price				3.253	3.257	(1.670)	(2.929)	(3.952)	2.879

32. SHARE OPTION SCHEMES *(continued)*

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

2000 Share Option Scheme *(continued)*

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

The 1 million options granted under the 2000 Share 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

On 6 December 2006, new options ("New Options") were granted to certain Directors and employees with exercise price of HK$3.102 to replace the options granted to them on 18 January 2006, 1 March 2006, 26 June 2006 and 25 October 2006 ("Replaced Options"). The closing price of the Company's shares on the grant date is HK$2.94. The estimated fair values of the New Options granted and the Replaced Options on that replacement date are approximately HK$18,173,930 and HK$14,636,510 respectively. The incremental fair value of approximately HK$3,537,420 has been expensed over the remaining vesting period of which HK$374,740 was expensed in 2007.

32. SHARE OPTION SCHEMES *(continued)*

(b) Share Subscription Plan adopted by the Company

The Company adopted a Share Subscription and Financing Plan (the "Share Subscription Plan") on 8 November 2007. Under the Share Subscription Plan, the Company may issue share invitations to any of their full-time employees and Directors or employees and Directors of any of its subsidiaries and eligible persons as defined therein. The number of shares which may be issued upon exercise of all outstanding share invitations issued under the Share Subscription Plan is limited to 70,000,000 shares, representing 2.9% of the total issued shares of the Company as at 8 November 2007.

The share invitations issued under the Share Subscription Plan vest as follows:

On 1st anniversary of the date of grant	33 $^1/_3$% vest
On 2nd anniversary of the date of grant	Further 33 $^1/_3$% vest
On 3rd anniversary of the date of grant	Remaining 33 $^1/_3$% vest

During the year ended 31 March 2008, share invitations were issued on 8 November 2007 and 25 February 2008 respectively. The estimated fair values of the shares covered by the respective share invitations issued on those dates are HK$37,010,000 and HK$910,000.

These fair values were calculated by using the binominal model based on each tranche of the Share Subscription Plan with reference to the vesting period respectively. The inputs into the model with different issue dates were as follows:

Grant date	**8 November 2007**	**25 February 2008**
Valuation date	8 November 2007	25 February 2008
Share price	HK$2.64	HK$3.08
Exercise price	HK$2.12	HK$2.49
Expected volatility	40%	40%
Risk-free rate	2.96%	2.48%
Expected dividend yield	6.5%	6.5%
Exercisable period	2 to 4 years	2 to 4 years
Vesting period	1 to 3 years	1 to 3 years
Fair value per option	HK$0.7733 to HK$0.8175	HK$0.8801 to HK$0.9344

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$12,290,000 and HK$9,137,000 for the year ended 31 March 2008 (2007: HK$8,817,000 and nil) in relation to share options granted and share invitations issued under the Share Option Scheme and Share Subscription Plan of the Company.

32. SHARE OPTION SCHEMES *(continued)*

(c) Share option schemes adopted by certain subsidiaries

Each of Apple Daily Publication Development Limited ("ADPDL") and Next Media Publishing Limited ("NMPL") (collectively the "Subsidiaries"), subsidiaries of the Company, adopted share option schemes on 31 July 2002 (the "2002 Subsidiary Share Option Schemes"). Under the 2002 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 2002 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.

On 30 July 2007, the Subsidiaries adopted another subsidiary share option schemes (the "2007 Subsidiary Share Option Schemes"). Upon adoption of the 2007 Subsidiary Share Option Schemes, the operation of the 2002 Subsidiary Share Option Schemes was terminated. However, share options granted under the 2002 Subsidiary Share Option Schemes, which remain unexpired, shall continue to be exercisable in accordance with their terms of issue.

On 22 February 2008, each of Apple Community Infonet Limited ("ACIL"), Next Media Animation Limited ("NMAL") and Next Media Webcast Limited ("NMWL") (collectively the "Other Subsidiaries") adopted share option schemes (the "2008 Subsidiary Share Option Schemes"). Under the 2008 Subsidiary Share Option Schemes, the Other 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 ACIL, NMAL and NMWL. No options were granted under the 2008 Subsidiary Share Option Schemes during the year.

(i) 2002 Subsidiary Share Option Schemes

	Number of share options	
	ADPDL	**NMPL**
At 1 April 2007	770,000	350,000
Cancelled/lapsed during the year	(670,000)	(350,000)
At 31 March 2008	100,000	–

(ii) 2007 Subsidiary Share Option Schemes

	Number of share options	
	ADPDL	**NMPL**
At 1 April 2007	–	–
Granted during the year	709,218	282,778
Exercised during the year	(709,218)	(282,778)
At 31 March 2008	–	–

The Company has used the Black-Scholes Model for assessing the fair value of the share options granted under the 2007 Subsidiary Share Option Schemes during the year, and the Group recognised the total expense of HK$2,113,000 for the year ended 31 March 2008 (2007: Nil) in relation to share options granted by the Subsidiaries.

33. RESERVES

	Share premium HK$'000	Share options reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
THE COMPANY				
At 1 April 2006	228,140	1,540	291,021	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 options	–	8,817	–	8,817
Dividends	–	–	(365,002)	(365,002)
At 31 March 2007	918,264	10,357	424,121	1,352,742
Profit for the year	–	–	590,036	590,036
Employee share options	–	21,427	–	21,427
Cancellation of share options	–	(2,995)	2,995	–
Dividends	–	–	(542,661)	(542,661)
At 31 March 2008	918,264	28,789	474,491	1,421,544

34. DEFERRED TAX

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

	THE GROUP		THE COMPANY	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
At beginning of the year	**300,873**	311,151	**1,967**	2,789
Exchange differences	**–**	45	**–**	–
Charge (credit) to income statement for the year	**11,685**	(10,323)	**6,600**	(822)
At end of the year	**312,558**	300,873	**8,567**	1,967

34. DEFERRED TAX *(continued)*

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	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At beginning of the year	**83,136**	92,585	**237,273**	237,273	**320,409**	329,858
Credit to consolidated income statement for the year	**(1,139)**	(9,449)	**–**	–	**(1,139)**	(9,449)
At end of the year	**81,997**	83,136	**237,273**	237,273	**319,270**	320,409

Deferred tax assets	Tax losses		Others		Total	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At beginning of the year	**(16,156)**	(14,043)	**(3,380)**	(4,664)	**(19,536)**	(18,707)
Exchange difference	**–**	45	**–**	–	**–**	45
Charge (credit) to consolidated income statement for the year	**9,526**	(2,158)	**3,298**	1,284	**12,824**	(874)
At end of the year	**(6,630)**	(16,156)	**(82)**	(3,380)	**(6,712)**	(19,536)

As at 31 March 2008, the Group had estimated unused tax losses of approximately HK$678,531,000 (2007: HK$824,053,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$37,885,000 (2007: HK$92,324,000) of such loss. No deferred tax asset has been recognised in respect of the remaining approximately HK$640,646,000 (2007: HK$731,729,000) due to the unpredictability of future profits streams. The expiry dates of these tax losses are as follows:

	2008	2007
	HK$'000	HK$'000
Indefinite	**547,364**	564,404
Expiry in:		
2009	**19,758**	148,240
2010	**111,409**	111,409
	678,531	824,053

34. DEFERRED TAX *(continued)*

As 31 March 2008, the Group had deductible temporary differences of approximately HK$469,000 (2007: HK$19,314,000) available for offset against future profits. No unrecognised deferred tax assets for both years.

THE COMPANY

Deferred tax liabilities	Accelerated tax depreciation	
	2008	2007
	HK$'000	HK$'000
At beginning of the year	**12,477**	11,807
Charge to income statement for the year	**864**	670
At end of the year	**13,341**	12,477

Deferred tax assets	Tax losses		Others		Total	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At beginning of the year	**(10,476)**	(8,984)	**(34)**	(34)	**(10,510)**	(9,018)
Charge (credit) to income statement for the year	**5,736**	(1,492)	**–**	–	**5,736**	(1,492)
At end of the year	**(4,740)**	(10,476)	**(34)**	(34)	**(4,774)**	(10,510)

As at 31 March 2008, the Company had estimated unused tax losses of approximately HK$27,092,000 (2007: HK$59,868,000) 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	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deferred tax liabilities	**312,558**	304,887	**13,341**	1,967
Deferred tax assets	**–**	(4,014)	**(4,774)**	–
	312,558	300,873	**8,567**	1,967

35. CONTINGENT LIABILITIES

THE GROUP

(a) Pending litigations

As at 31 March 2008, 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 ("ADPL"), over amounts payable in respect of the construction of the facility. As this dispute is now under arbitration, the final outcome remains uncertain.

During the current financial year, UDL has taken a separate legal action by filing the writ with indorsement of claim dated 8 June 2007 with the High Court against ADPL and Mr. Lai Chee Ying, Jimmy ("Mr. Lai") in respect of the above claim. A judgement in default of notice of intention to defend was entered against ADPL on 27 June 2007 (the "Default Judgement"), and a statutory demand was served by UDL on ADPL for the sum of approximately HK$162 million plus interest on 28 June 2007. ADPL's application for a stay of execution was issued and heard on 3 July 2007. Upon the undertaking by UDL's solicitors not to enforce the Default Judgement until the final determination of ADPL's application to set aside the Default Judgement, the application for a stay was adjourned sine die with liberty to restore. On 3 January 2008, a High Court hearing in relation to the applications to set aside the Default Judgement and the stay of proceedings to arbitration was heard, and the judgement was handed down by the High Court on 18 January 2008 (the "Judgement"). Pursuant to the Judgement, the Default Judgement dated 27 June 2007 against ADPL had been set aside and the proceedings against ADPL had been referred to arbitration. UDL had been ordered to pay 20% of ADPL's costs on the application to set aside the Default Judgement. ADPL also obtained an order for payment of all of its costs in relation to the application for a stay of proceedings to arbitration from UDL.

Other than the legal and professional expenses which have been accrued in other payables, amounting to HK$47,239,000 (At 31 March 2007: HK$85,238,000) in note 27, no provision has been recognised in respect of the above mentioned outstanding legal proceedings as based on advice obtained from legal counsel, the Directors are of the opinion that the claims can be successfully defended by the Group.

(b) Guarantees

In connection with the acquisition of Database Gateway Limited ("DGL") and its subsidiaries (the "Acquired Group") on 26 October 2001, Mr. Lai, Chairman and a substantial shareholder of the Company, has undertaken to provide unlimited personal indemnities to 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 contractor 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 25 October 2007 in favour of the Company and the Acquired Group in respect of his obligations under the Indemnity.

The Directors of the Company are of the opinion that it is unlikely in light of the indemnity given by Mr. Lai that if UDL pursues its various claims to their ultimate conclusion, the Group would have any liability. Accordingly it is the opinion of the Directors of the Company that the outstanding claims brought by UDL would not have any adverse material impact on the financial position of the Group.

(c) Guarantees given

As at 31 March 2008, the Company 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 amounted to approximately HK$2,570,000 (2007: HK$70,305,000), of which HK$255,000 (2007: HK$215,000) remained unamortised and was included as a current liability in the Company's balance sheet.

36. COMMITMENTS

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

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Authorised but not contracted for	**988**	15
Contracted but not provided for	**18,009**	8,869
	18,997	8,884

The Company did not have any capital commitment at the balance sheet date.

(b) Commitments under operating leases

The Group as lessee

At 31 March 2008, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

		2008			2007	
	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	**6,116**	**9,431**	**15,547**	4,377	7,204	11,581
In the second to fifth years inclusive	**2,981**	**6,509**	**9,490**	894	5,917	6,811
	9,097	**15,940**	**25,037**	5,271	13,121	18,392

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.

The Group as lessor

Rental income earned during the year was HK$1,529,000 (2007: HK$1,564,000). 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:

	2008	2007
	HK$'000	HK$'000
Within one year	**820**	1,047
In the second to fifth year inclusive	**389**	195
	1,209	1,242

37. RELATED PARTY DISCLOSURE

Compensation of key management personnel

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

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Short-term benefits	**20,799**	20,681
Share-based payments	**1,910**	2,016
	22,709	22,697

There are no other related party transactions for the year ended 31 March 2007 and 31 March 2008.

38. MAJOR NON-CASH TRANSACTION

There is no major non-cash transaction for the year ended 31 March 2008. In 2007, 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.

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company at 31 March 2008 are as follows. The changes of subsidiaries as compared with 2007 are set out in note (b).

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	10,709,218 ordinary shares of HK$0.01 each	93.38	Publication and selling of newspaper and selling of newspaper advertising space

39. 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
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 a)	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	Hong Kong	10,000 ordinary shares of HK$1 each	100	Publication and selling of magazines
FACE Magazine Marketing Limited	Hong Kong	20,000,000 ordinary shares of HK$1 each and 855,000,000 ordinary shares of HK$0.01 each	95.17	Selling of magazines advertising spaces
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
Next Magazine Advertising Limited	Hong Kong	1,000 ordinary shares of HK$1 each	100	Selling of magazines advertising space
Next Media Animation Limited	Hong Kong/ Hong Kong and Taiwan	10,000,000 ordinary share of HK$0.01 each	100 (Note b)	Animation Production
Next Magazine Publishing Limited	Hong Kong	1,000 ordinary shares of HK$1 each	100	Publication and selling of magazines

39. 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
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 and Taiwan	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	10,282,778 ordinary shares of HK$0.01 each	97.25	Publication and selling of magazines and selling of magazines advertising space
Next Media Webcast Limited	Hong Kong/ Hong Kong and Taiwan	10,000,000 ordinary shares of HK$0.01 each	100 (Note b)	Webcasting
Paramount Printing Company Limited	Hong Kong	15,000 ordinary shares of HK$100 each	100	Provision of printing 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 a: The subsidiary was directly held by the Company.

Note b: The subsidiaries were newly incorporated in current year.

Five Years Financial Summary

For the year ended 31 March 2008

	Year ended 31 March				
	2004	2005	2006	2007	**2008**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Revenue	2,437,109	2,932,172	3,322,024	3,245,163	**3,483,794**
(Loss) profit attributable to equity holders of the parent	(89,920)	104,257	440,766	344,435	**521,323**
Minority interests	–	–	–	(2,022)	**–**
(Loss) profit for the year	(89,920)	104,257	440,766	342,413	**521,323**

	As at 31 March				
	2004	2005	2006	2007	**2008**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	4,422,706	4,428,379	4,484,787	4,601,427	**4,598,314**
Total liabilities	(1,095,705)	(941,547)	(1,085,190)	(1,244,604)	**(1,188,775)**
	3,327,001	3,486,832	3,399,597	3,356,823	**3,409,539**
Equity attributable to equity holders of parent	3,325,001	3,484,772	3,397,537	3,356,785	**3,409,496**
Minority interests	2,000	2,060	2,060	38	**43**
	3,327,001	3,486,832	3,399,597	3,356,823	**3,409,539**

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