THIS WAY UP

NEXT MEDIA LIMITED *Annual Report 08/09*
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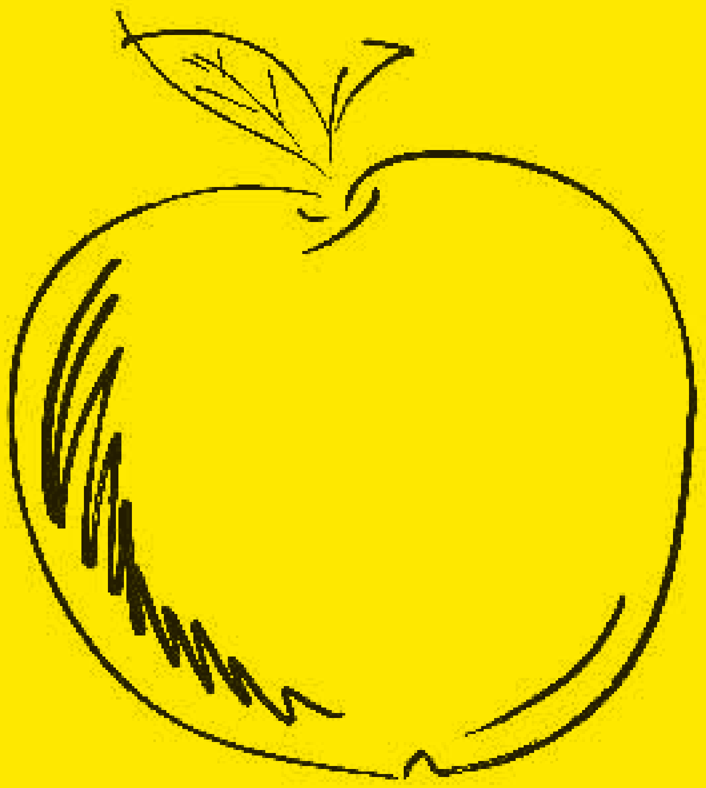
About us

Hong Kong's largest Chinese-language print media publishing group and a major force in Taiwan's media industry, Next Media provides readers with comprehensive, forthright and factual coverage of issues that have an impact on their lives.



Mission & Vision

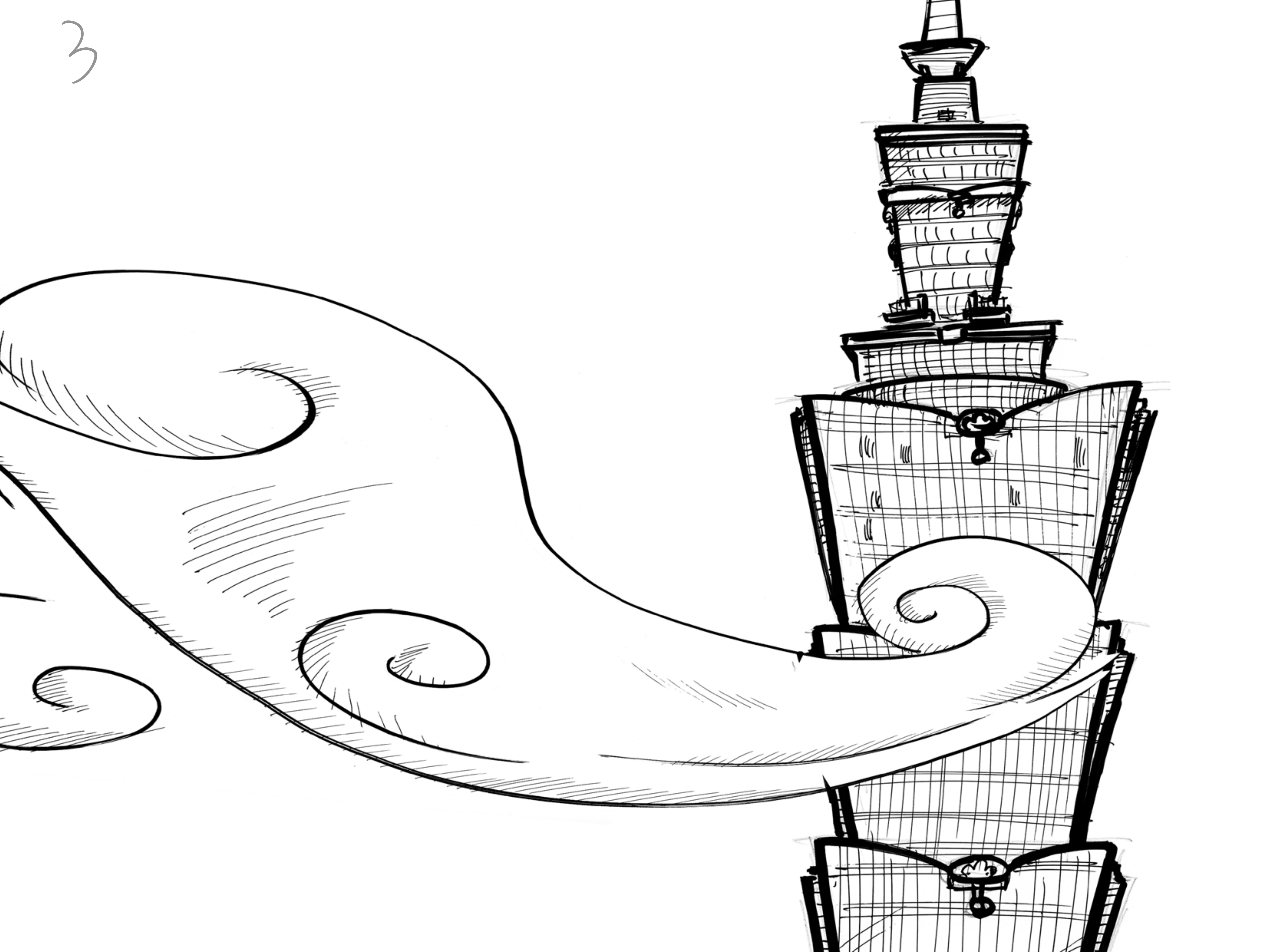
The success of our publications has been built on our unswerving dedication to providing our readers with comprehensive and forthright coverage of issues that influence their lives. They know they can rely on us to give them the facts without fear or favour and without political or commercial bias.

Business Review

Financial Report

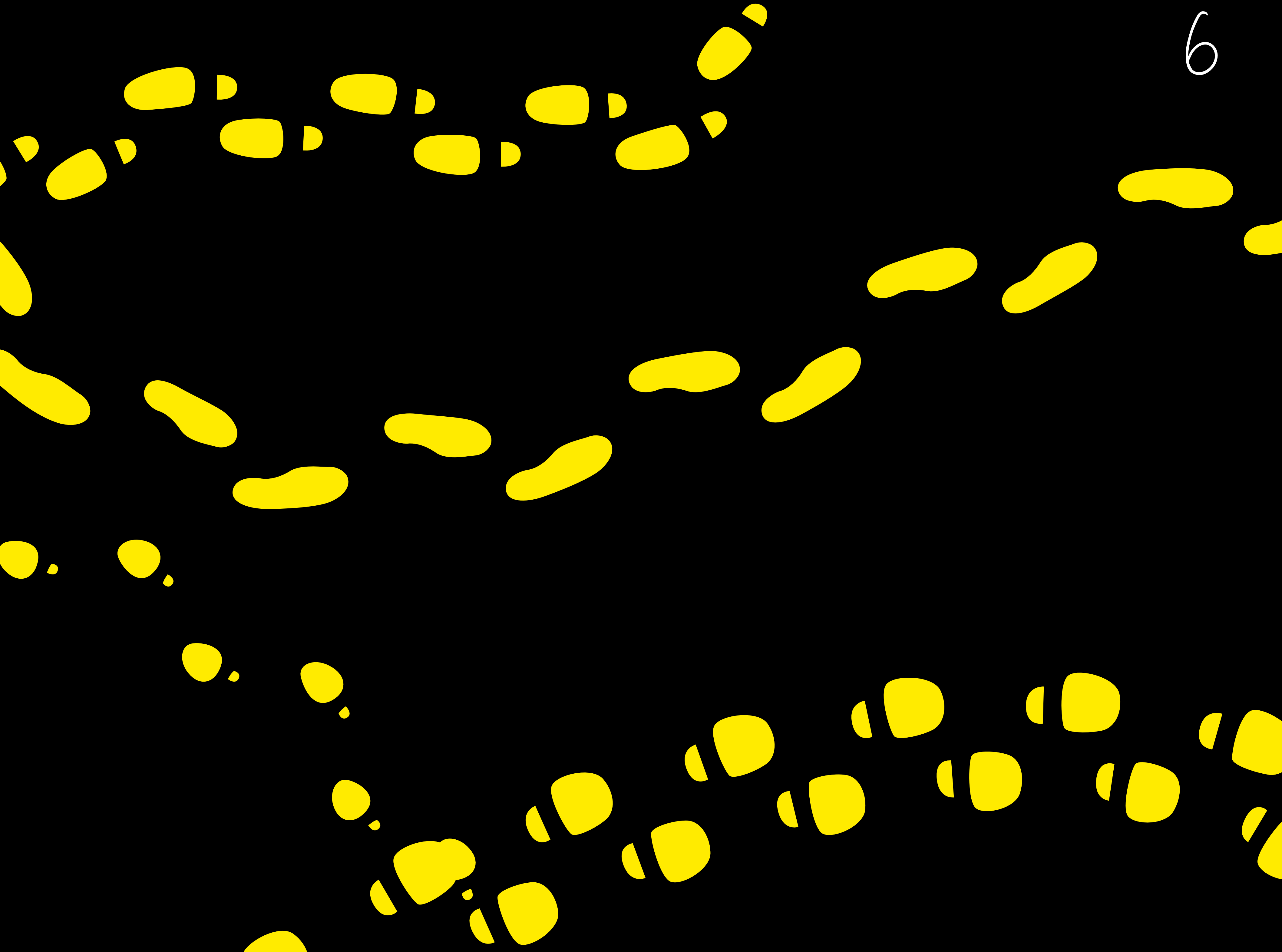
LINKING UP

We are confident we will maintain and further extend our leading positions in Hong Kong and Taiwan's media industries, and that we will move ever closer to realising our vision of deriving equal amounts of our turnover from the two places.



SPEAKING UP

Next Media's journalists believe in delivering the facts — without fear or favour, prejudice or pandering to advertisers. We will always make the interests of our readers and advertisers our No. 1 priority, and we will go all out to provide them with exciting, informative and ever-better publications.

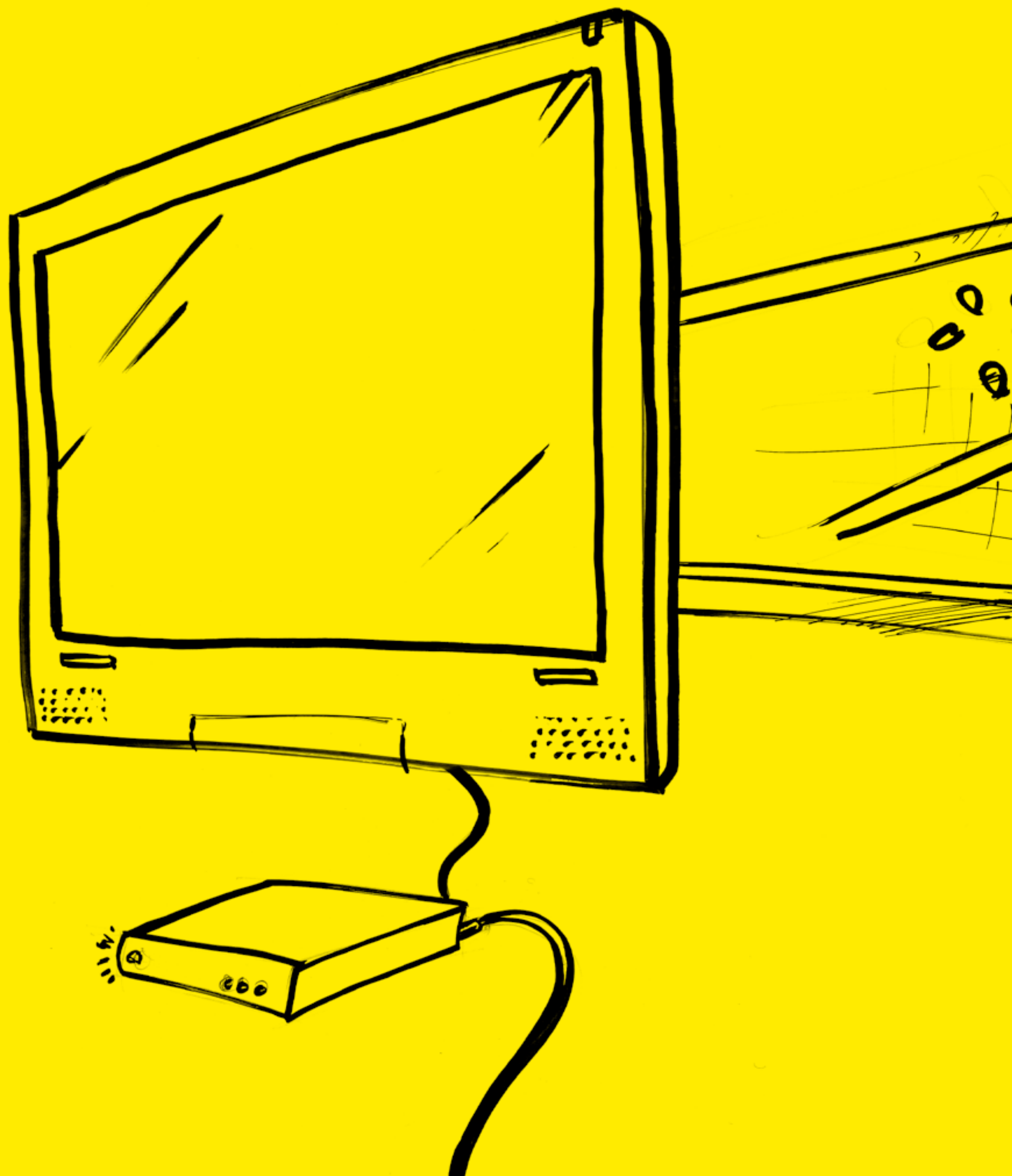


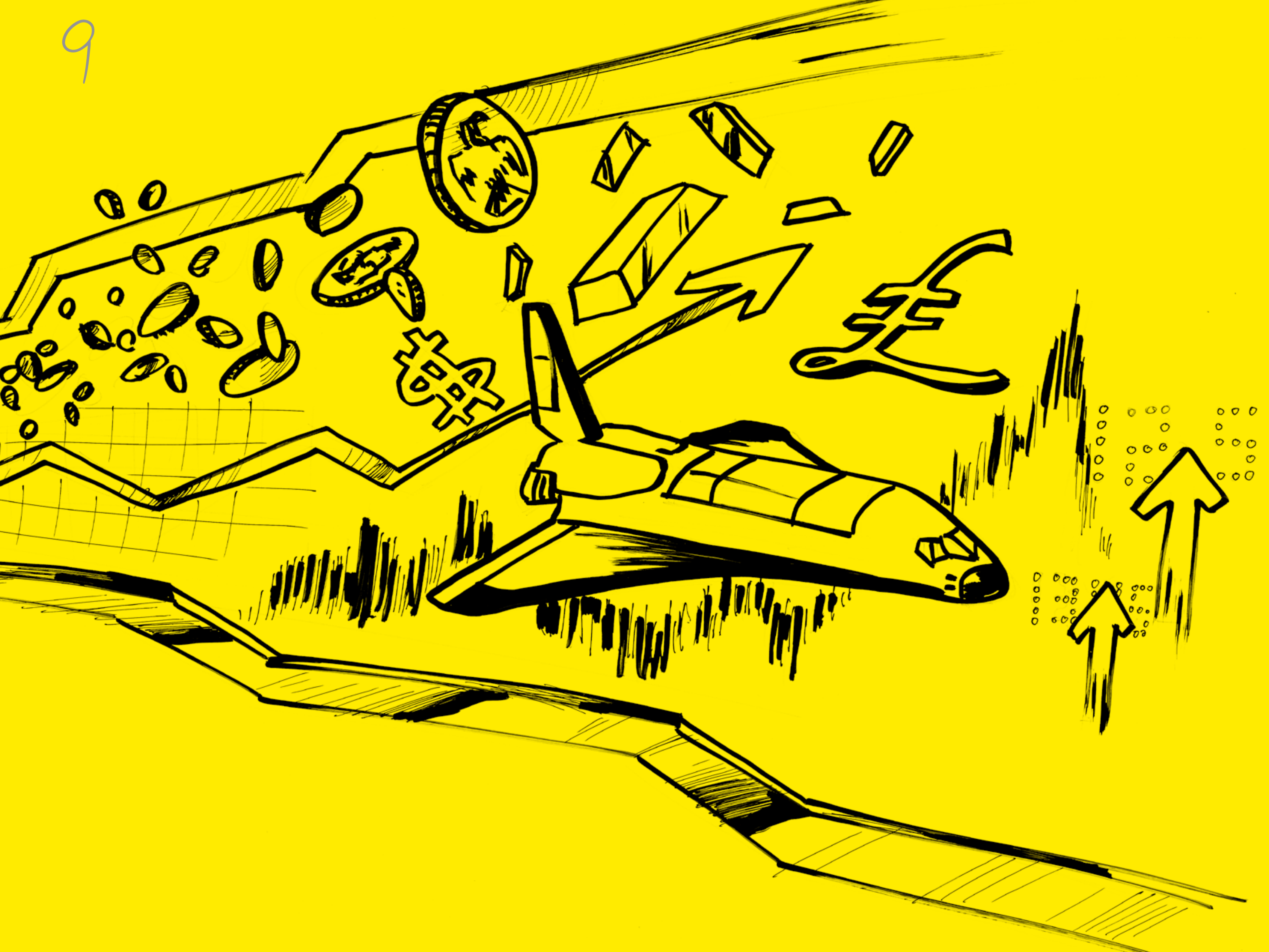
KEEPING UP

Our business philosophy is to remain fearless and flexible when dealing with challenges, and to grasp opportunities as they arise. We are sure Next Media will remain at the forefront of the media industry, and that we will stride ahead and score even greater success in the future.

COMING UP

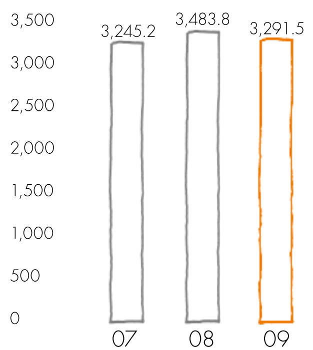
In the coming months, we will expand the scope and scale of our media business in Taiwan by launching our first-ever TV operation there. Its TV channels are tentatively scheduled to go on the air during the first half of 2010.



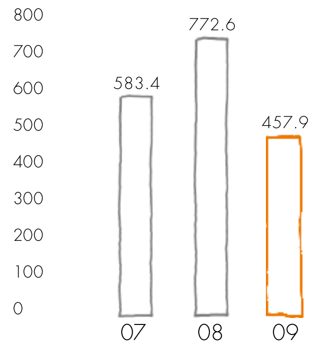


Financial Highlights

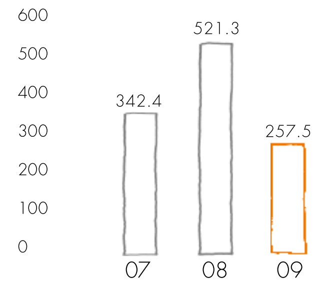
Revenue (HK$M)



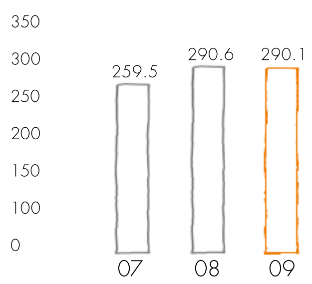
EBITDA (HK$M)



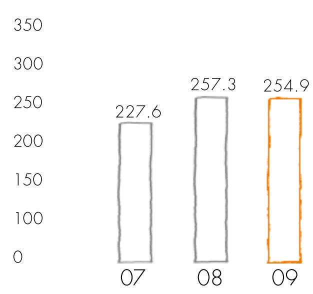
Net Profit For The Year (HK$M)

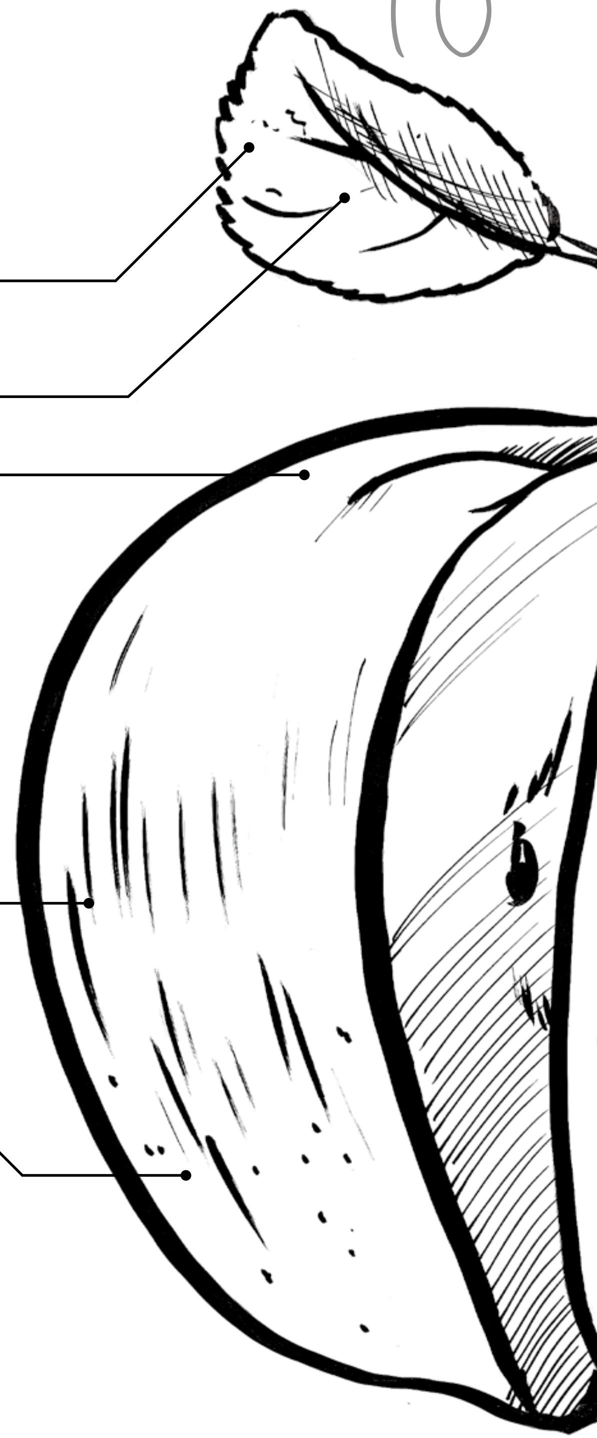


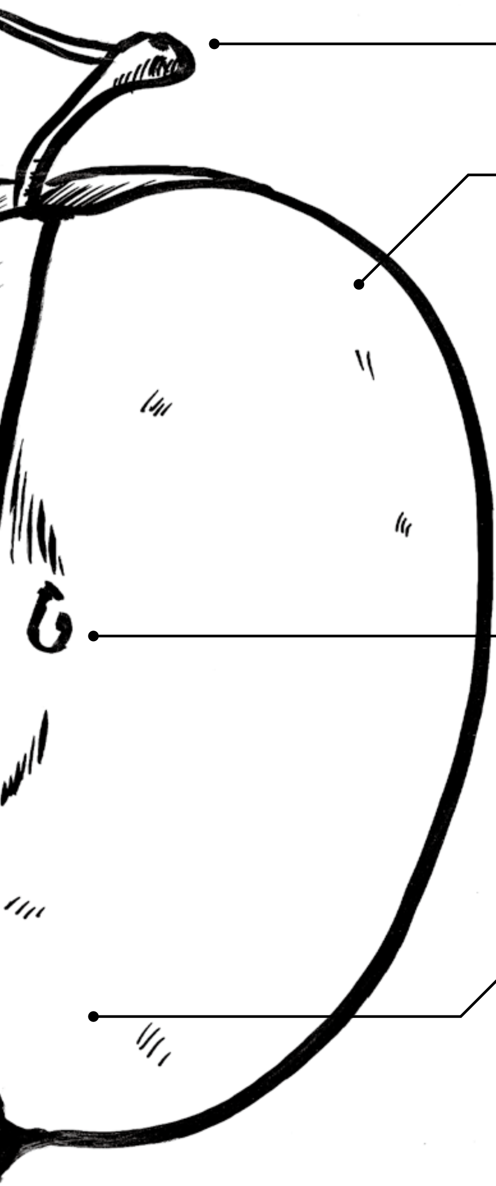
Current Ratio (%)



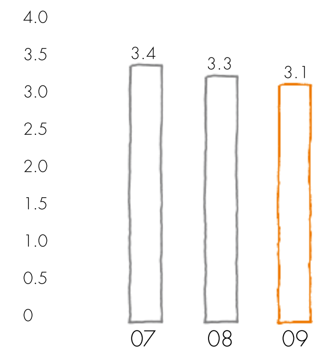
Quick Ratio (%)



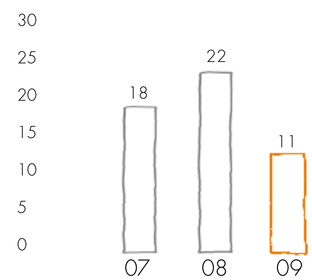




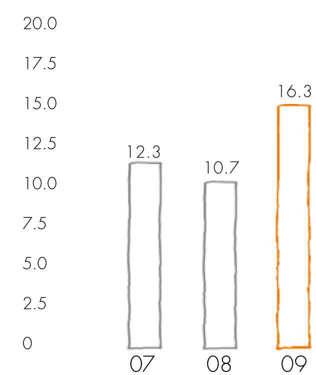
Working Capital Turnover



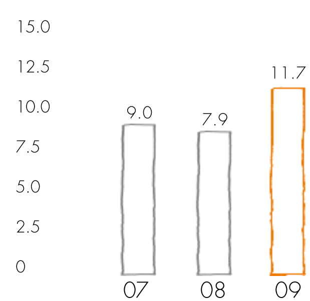
Basic Earnings Per Share (HK Cents)



Debt to Equity Ratio (%)



Gearing Ratio (%)



Chairman's Statement

TACKLING CHALLENGES FEARLESSLY AND FLEXIBLY

I have pleasure in reporting Next Media's financial results for the year ended 31 March 2009. As you already know, a global financial crisis developed around the middle of the year, and this was followed by an abrupt and serious economic slowdown that cast dark shadows over the entire world's businesses community, as well as the lives of millions of individuals. These have been described by economists as the most catastrophic economic upheavals since World War II, and they have certainly exceeded anything I have previously witnessed in my business career.

Next Media has not been immune to their impact. As you will see in the following pages, we began the 2008/09 financial year on a note of high optimism, and we succeeded in achieving our targets during the first half. However, our progress in the second half was hampered by the sudden changes in the economic climate, and this held us back from attaining some of the goals we had set ourselves for the full year.

Our business philosophy has always been to remain fearless and flexible when dealing with challenges, and to grasp opportunities as they arise and in a timely way. We have therefore swiftly put in place all the measures needed to adapt to changing circumstances, thus minimising their impact on the Group and our operations. In particular, we have maintained and reinforced the efforts we were already making to trim our costs.

Some of these measures were indeed quite painful, especially the decision to reduce the salaries of most of our staff members in February 2009. We deeply appreciate the crucial contributions they have always made to Next Media's success, the unstinting efforts they have put in, and the loyalty they have shown to the Group in good times and bad. They have kept faith with us, and we will always keep faith with them.

CONTINUED PROGRESS IN TAIWAN

Even so, the picture has not been entirely gloomy. The Group's Taiwan publications continued to enjoy spectacular success by increasing their readerships during the year. This validates the wisdom of the decision we made more than eight years ago to extend the geographical scope of our business beyond Hong Kong, where our potential for future growth had become increasingly restricted by the market's maturity and competitive nature, as well as by the proliferation of free dailies and the growing popularity of the Internet and other forms of new media.

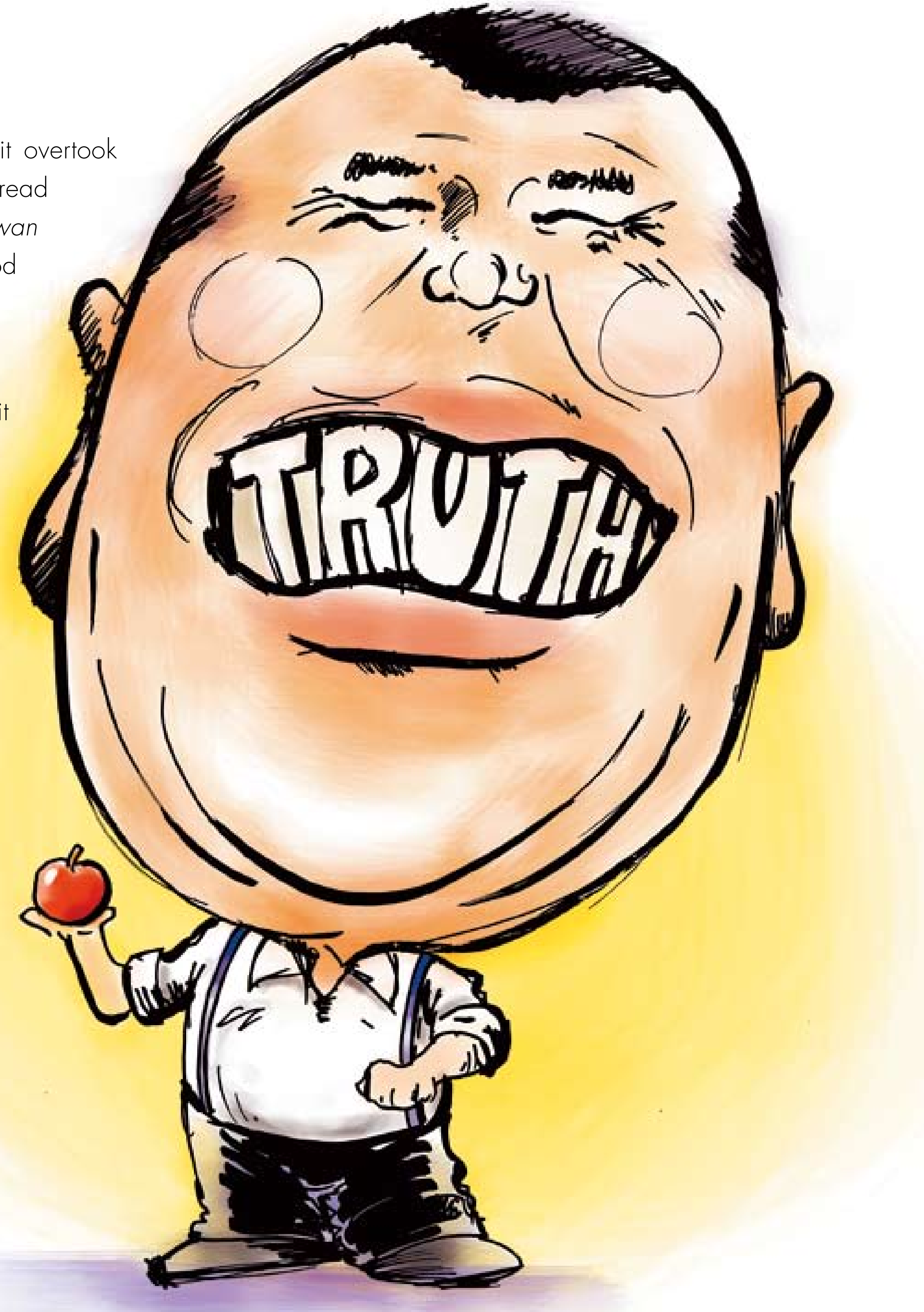
Taiwan Next Magazine has continued to maintain its position as the best-selling and most-widely-read weekly on the island. Although Taiwan's major advertisers have been obliged to cut their budgets in response to the present economic situation, they have continued to regard *Taiwan Next Magazine* as a priority medium for reaching their target markets, and its advertising income has therefore stood up reasonably well in the present circumstances.

Taiwan Apple Daily has similarly continued to make progress. During the year, it overtook its closest rival, *The Liberty Times*, to achieve the status of Taiwan's most-widely-read newspaper with a readership of 2,862,000. With its enormous popularity, *Taiwan Apple Daily* has likewise continued to attract advertising revenue during a period when advertisers have grown more cost-conscious and focused on gaining the maximum value for their advertising dollars.

Although Taiwan's economy has performed disappointingly in recent years and it has been severely affected by the economic slowdown, the Group has quickly laid strong foundations in the media industry, and our three titles have taken the lead in their respective categories within a very brief space of time. These successes fully convince us that vast potential still exists for further expansion on the island.

With this in mind, we have chosen it as the location for our first venture into an entirely different sector of the media industry. In addition to our existing print and online activities, the Group has started to prepare for the launch of a new TV operation in Taiwan. Tentatively scheduled to go on the air during the first half of 2010, this will create extra synergy for our brand by broadening the scope of our presence and reaching out to an entirely new audience.

In summary, we have no doubts that Taiwan's economic fundamentals will be strong in the long term, that it will adhere to its traditions of democracy and free speech, and that demand for our media — which have an unrivalled ability to satisfy the needs of its public and advertisers — will remain undiminished. These factors will take us ever closer to realising our vision of deriving equal amounts of turnover from Taiwan and Hong Kong.



STRENGTH TO WITHSTAND THE STORMS

Although the potential for building the sales and advertising revenue of our Hong Kong publications has been severely curtained by cutbacks in consumer spending and advertising budgets as a result of the economic downturn, our weekly magazines continue to enjoy leadership status in their respective categories, while *Apple Daily* remains the city's No. 2 newspaper.

The underlying factor for this ongoing success has been the loyalty of their readers and advertisers. It has also enabled Next Media to retain its status as one of the city's foremost print media publishing groups, it has put us in a stronger position to ride out the current economic storms than most of our rivals, and it has given us the potential to leverage on opportunities to resume our forward march when the climate improves.

In the meantime, we will never take our competitive advantages for granted, and we will not allow the challenges we presently face to distract us from our overriding responsibility to meet the needs of our readers and advertisers. All our past successes and the leading position that we enjoy in the industry have been due to their support, and the result of the emphasis we have always placed on satisfying their requirements. Therefore, our strategy will always be one of constant improvement. We will continue to make the interests of our readers and advertisers our No.1 priority, and we will go all out to provide them with exciting, informative and ever-better publications.

DETERMINATION AND RESILIENCE WILL LEAD THE WAY

As I write this message, we are seeing some "green shoots", such as a modest rebound in the global stock markets, and indications that some measure of normality is returning in the business world. While we should not hastily conclude that a sustained worldwide recovery is already underway, there are grounds for some cautious optimism that the crisis might have bottomed out and that the squalls are beginning to abate. And we are strengthened by the knowledge that the picture will inevitably improve at some point. As a Chinese proverb points out: "With time and patience, the mulberry leaf will become a silk gown".

It has also been said that "The spirit, the will to win, and the will to excel are the things that endure. These qualities are so much more important than the events that occur." Again and again, the people of Hong Kong and Taiwan — the two markets in which Next Media operates — have demonstrated the truth of these words through their determination to overcome setbacks and remain resilient in the face of adversities. The Asian financial crisis and the downturn that followed the SARS outbreak in 2003 were just two examples of that spirit.

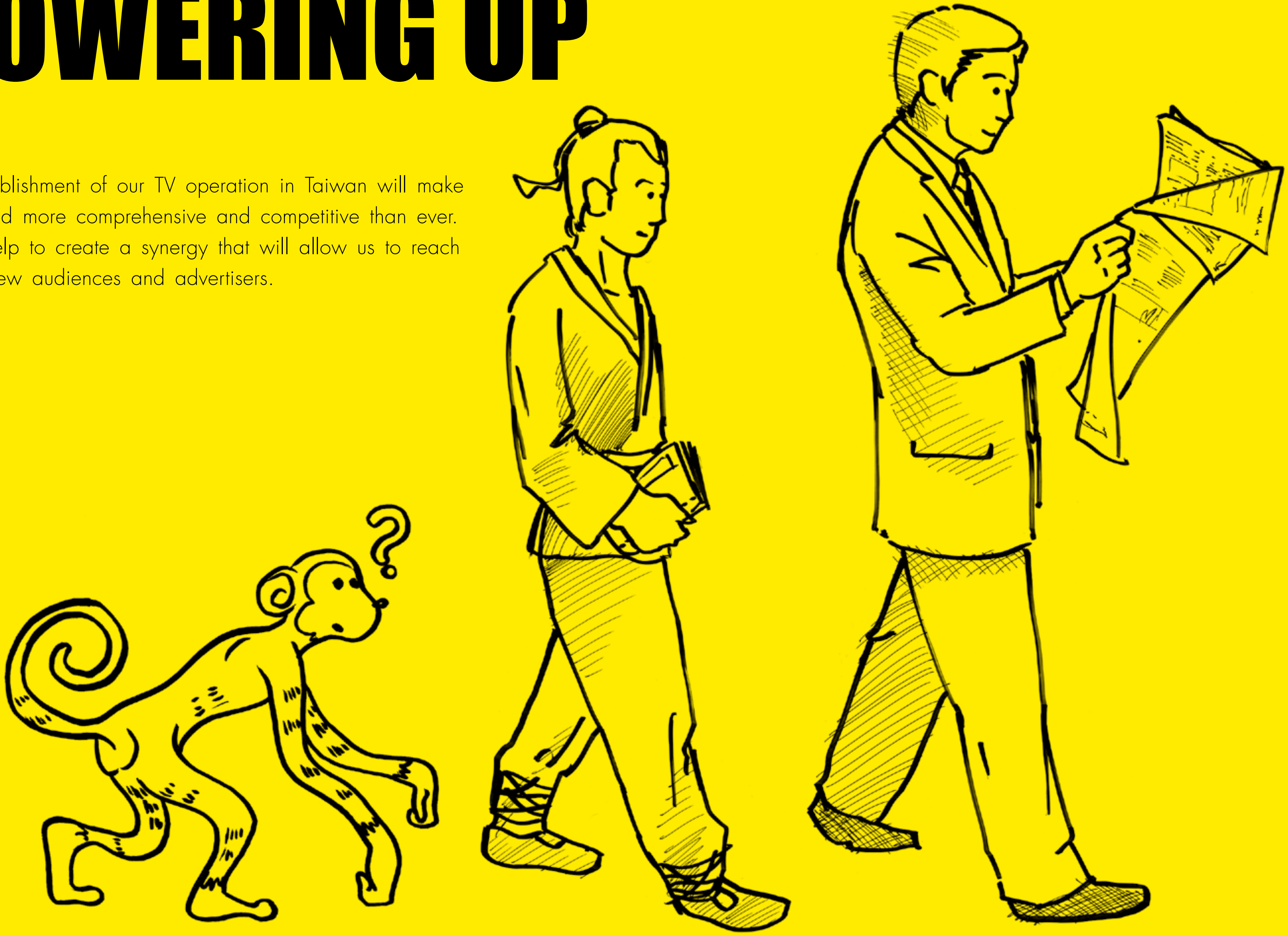
We firmly believe they will once again be among the first to surmount the current difficulties, and in doing so they will show the way to the rest of the world. By conserving our resources and unswervingly continuing to fulfil our duties to our readers and advertisers, we are sure that Next Media will likewise remain at the forefront of the media industry, that we will emerge from the present situation stronger than ever before, and that we will continue to stride ahead and score even greater success in the future.

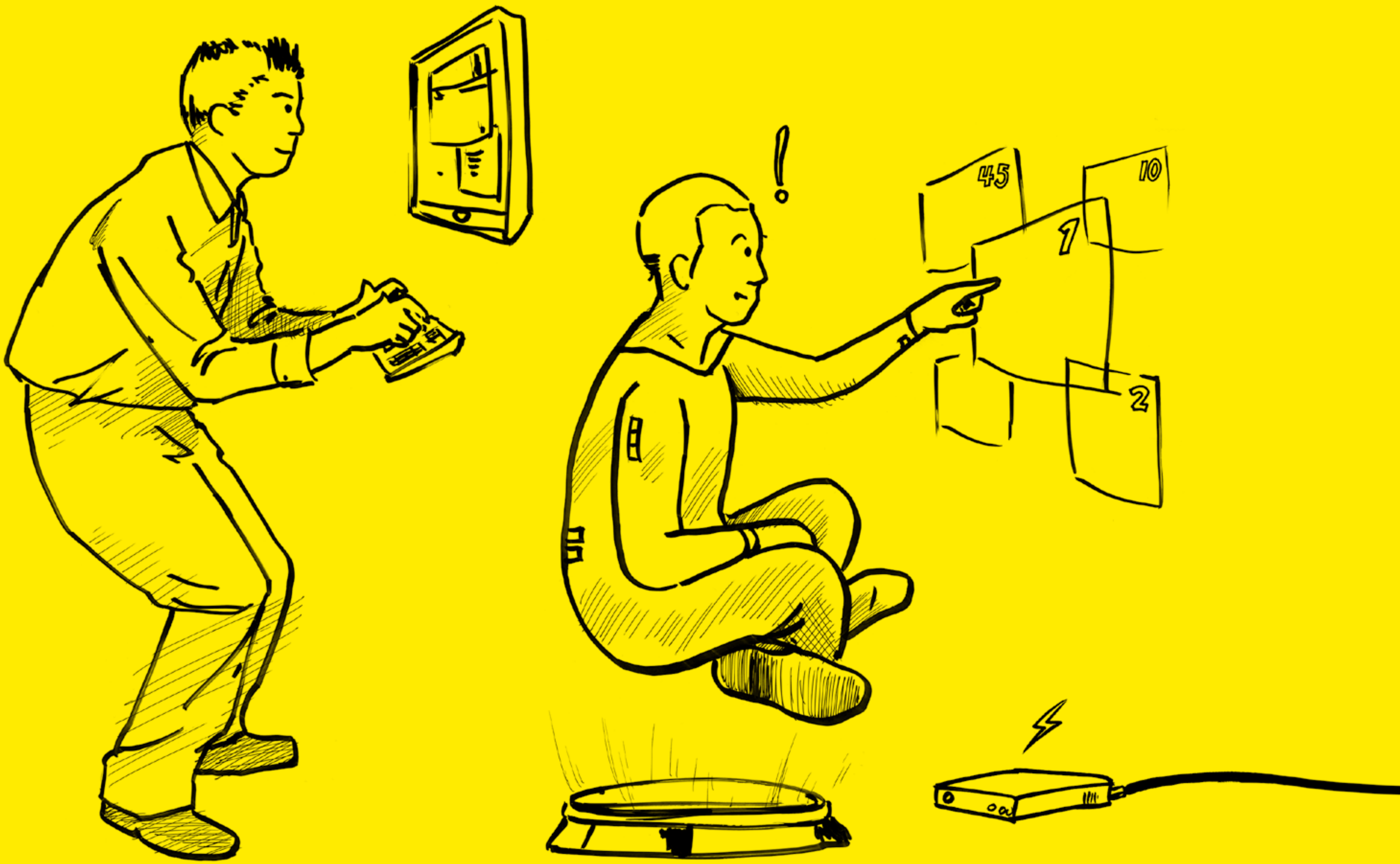
I would like to conclude by once again thanking our excellent teams in Hong Kong and Taiwan for their hard efforts, initiative and dynamism during an exceptionally challenging year. Also, I would like to acknowledge the loyalty shown by our readers, advertisers and shareholders. On behalf of my fellow directors and myself, I would like to extend my heartfelt thanks to all of you. We will continue to strive to reward your trust in us.

Jimmy Lai
Chairman

POWERING UP

The establishment of our TV operation in Taiwan will make our brand more comprehensive and competitive than ever. It will help to create a synergy that will allow us to reach out to new audiences and advertisers.

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Management Discussion and Analysis

The financial year that ended on 31 March 2009 was a period of unprecedented contrasts and challenges for Next Media. Having achieved satisfactory overall results that exceeded its targets during the first six months, the Group and its operations in Hong Kong and Taiwan were adversely affected by the sudden outbreak of the worst global financial crisis and economic downturn in decades during the summer and autumn of 2008. Of course, the Group was not alone in suffering from their effects; they have been felt by almost every business in every industry, country and region on earth.

In response, the Group took prompt and resolute action to weather the storm. In particular, it strengthened its existing policy of exercising tight control over all its costs, and reducing these wherever possible. In addition, in February 2009, it made the painful decision to reduce the salaries of all its staff members, except for the lowest paid.

It also competed aggressively for its share of the smaller budgets being spent by advertisers during the second half of the year, and it made every effort to maintain — and where possible increase — its circulation revenue.

Besides enabling it to maintain its leading positions in both the Hong Kong and Taiwan media industries, the Group believes these measures, together with the loyalty of its readers and advertisers and the support of its employees, have put it in a better position to face whatever the future may hold than some of its competitors.

As a result, the Group made a profit of HK$257.5 million for the financial year ended 31 March 2009, compared with a profit of HK$521.3 million in the previous financial year.

Top Five Newspapers' Readership in Hong Kong

Jan – Dec 2008

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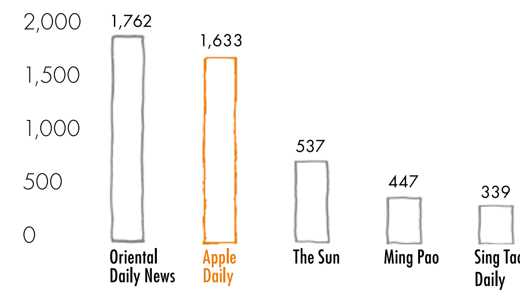

Top Five Chinese Weekly Magazines' Readership in Hong Kong

Jan – Dec 2008

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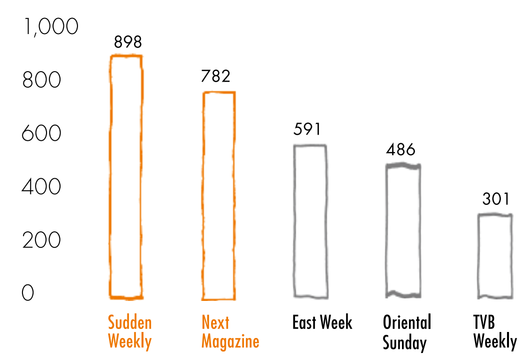

Source: 2008 Nielsen Media Index: Hong Kong Report

Operational Review

OVERVIEW OF MAJOR MARKETS

Hong Kong

The global financial crisis and economic slowdown that began to unfold last summer had a swift and powerful impact on Hong Kong. While the city's economy had strengthened during the first half of the year under review, it experienced negative economic growth during the second half. Meanwhile, the unemployment rate hit a three-year high during the first three months of 2009, and the stock market and property market were both badly hit. The performance of the media and publishing industry closely mirrored these developments. Its steady growth during the earlier months of the year ground to an abrupt halt during the autumn, as consumers cut their spending and advertisers slashed their budgets.

Hong Kong's magazines have suffered comparatively less from the cutbacks by advertisers than its newspapers. That was because companies have been seeking to optimise the results they achieve with their reduced budgets by focusing more on soft advertising to keep their brands at the forefront of readers' minds, something that magazines can help them do better than newspapers. While every publisher has been competing fiercely to gain its share of what advertising is being placed, advertisers are placing greater emphasis than ever on the quality of the publications they choose and their readership profiles. The size and attractive demographics of the readers of Next Media publications have given it a clear competitive edge when it comes to securing advertising in the present market environment.

At the same time, the city's two major dailies, including *Apple Daily*, maintained their dominant position in the newspaper market during 2008. Their combined average daily readership of 3,395,000 accounted for 63.5 per cent of all Hong Kong newspaper readers aged 12 and above, a 3.2 per cent increase on the 2007 figure[1].

Top Five Newspapers' Readership in Taiwan

Jan – Dec 2008

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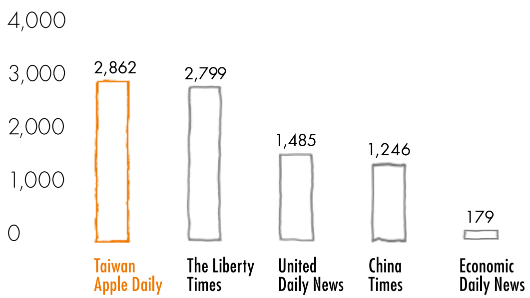

Top Five Chinese Weekly Magazines' Readership in Taiwan

Jan – Dec 2008

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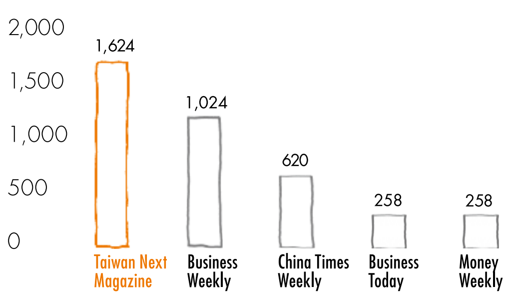


Source: Media Index, Nielsen Media Research, Taiwan

Apple Daily's readership rose by 12.9 per cent and its share of the total paid-for newspaper market grew by 3.2 per cent during 2008, despite increased competition in the market from free dailies and online media. The newspaper also remained a firm favourite among major advertisers.

The Group's Hong Kong magazines — *Next Magazine, Sudden Weekly Bundle* (incorporating *Sudden Weekly, Eat and Travel Weekly* and *ME!*), *FACE Bundle* (incorporating *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 target markets. *Next Magazine* and *Sudden Weekly* remained Hong Kong's top-selling weeklies, and they commanded a combined average weekly readership of 1,680,000, which was equal to 31.4 per cent of all the city's Chinese magazine readers aged 12 and above[1].

Taiwan

Taiwan continues to be a dynamic and open society in which different ideas are freely expressed and keenly debated. The island's social vibrancy is underpinned by its freedom of speech and free press. Even so, the reporting and presentational styles of its media were relatively conservative for many years, and the influence of powerful political and business interests curtailed their objectivity.

It is no exaggeration to say that the launches of *Taiwan Next Magazine* and *Taiwan Apple Daily* in 2001 and 2003 respectively have served to transform the island's print media industry. Their investigative and plain-spoken journalism, the no-nonsense way they present the facts, and their exciting and colourful layouts were already familiar hallmarks of the Hong Kong media. But they came as a revelation to Taiwan's readers, who were hungry for unbiased and straightforward reporting. As a result, they instantly became popular with the island's public, and they forced many of its other publishers to attempt to revamp their titles in order to compete with them.

Even so, Next Media's titles have established a dominant presence in Taiwan's print media industry. *Taiwan Apple Daily* has soared in popularity during the past six years. In 2008, it overtook all its competitors to become the island's most popular daily with a readership of 2,862,000, compared with 2,799,000 readers of its closest rival, *The Liberty Times*[3].

Taiwan Next Magazine remained the island's best-read weekly by a wide margin. It was seen by an average of 1,624,000 people aged 12 and above every week during 2008, 210,000 more than in the previous year and 58.6 per cent more than its closest competitor[3].

The Group began to distribute copies of *Sharp Daily* to commuters at Taipei's Rapid Transit subway stations every morning from Monday to Friday in October 2006. Since then, it has maintained its status as the only citywide free daily, and its appeal among readers and advertisers has grown unceasingly. An average of 135,251 copies were handed out each day during 2008[4].

On the other hand, Taiwan's economy remained disappointing during the year ended 31 March 2009. The inauguration of Ma Ying-jeou as its new president in May 2008 led to some promising developments in the island's ties with Mainland China, and these seemed to herald the start of a long-awaited economic recovery.

But the global financial crisis has affected Taiwan even more harshly than Hong Kong, triggering a slump in exports, the stock market and property values, as well as a decline in confidence that has made consumers tighten their purse strings even more than before. It is clear that Taiwan's economic outlook is inextricably linked with the world economy's recovery, as well as with domestic developments and its all-important relationship with the Mainland.

BUSINESS PERFORMANCE

The Group's revenue totalled HK$3,291.5 million during the year ended 31 March 2009. This was 5.5 per cent lower than the figure of HK$3,483.8 million for the preceding 12 months. The change was mainly attributable to the effects of the global financial crisis and the ensuing economic slowdown in Hong Kong and Taiwan during the second half of the year.

Newspapers Publication and Printing Division

The Newspapers Publication and Printing Division continued to account for the largest percentage of the Group's entire revenue. During the 2008/09 financial year, the Division's external revenue totalled HK$2,227.2 million, a decline of 9.1 per cent on the figure of HK$2,449.5 million it achieved in the previous year.

Apple Daily

Apple Daily remained the second most-widely-read daily newspaper in Hong Kong. In the year ended 31 December 2008, it was read by an average of 1,633,000 readers aged 12 and over every day, compared with 1,446,000 during the previous year[1], an increase of 12.9 per cent. As a result, its share of the total daily newspaper market grew from 27.4 per cent to 30.6 per cent. Its circulation sales also rose by 0.7 per cent to an average of 308,083 copies per day during the second half of 2008, compared with 305,896 copies in the same period of 2007[2].

Meanwhile, research by Nielsen Media has concluded 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 and the growing popularity of online news sources.

In the year under review, *Apple Daily's* revenue amounted to HK$1,030.3 million, a decrease of 4.5 per cent on the previous year's figure of HK$1,079.4 million. Circulation sales income accounted for HK$411.2 million of this figure, an increase of 0.1 per cent on the previous year's figure of HK$410.9 million. However, the sharp downturn in Hong Kong's economy as the global financial crisis unfolded severely dented the newspaper's advertising sales income, which fell to HK$619.1 million, a 7.4 per cent decline on the previous year's figure of HK$668.5 million.

Despite the adverse conditions that now prevail in the Hong Kong newspaper industry, the Group remains confident that *Apple Daily* will remain one of its most important revenue sources during the coming years, especially when the economic recovery begins. Furthermore, the strong loyalty of its readers and the attractiveness of their demographic profile continue to exert a strong influence among Hong Kong's major advertisers. Even though they are spending less and far more selectively than before, *Apple Daily* continues to be a preferred channel for marketing their products and services in Hong Kong.

Taiwan Apple Daily

With its impartial and plain-talking editorial style, combined with eye-catching and colourful layouts, *Taiwan Apple Daily* has exerted a spectacular impact on the island's media industry ever since its first issue appeared in May 2003. During the past six years, it has broken the mould by satisfying its readers' enormous appetite for news and by catering to the demand for the free expression of different views that are important features of Taiwan's open and democratic society.

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 stuffy and pedestrian formats that were light years behind the developments that had been taking place in the media industry elsewhere in Asia.

This lack of innovation was also reflected in the way 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. As a result, their editors never felt motivated to make their publications bright and visually exciting in a way that would attract attention on the newsstands.

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 the past six years, it has leapt up the island's circulation and readership leagues. The newspaper sold a daily average of 519,227 copies and achieved a readership of 2,862,000 during the second half of 2008. *Taiwan Apple Daily's* effervescent appearance has also made the copies displayed in coffee shops and other venues irresistible to their customers, and many people have developed the habit of passing their copy on to others. These factors have helped to give *Taiwan Apple Daily* an average daily readership of 2,862,000 people aged 12 and above during 2008, a 4.8 per cent increase on the figure of 2,731,000 the previous year and well clear of its main competitor's daily readership of 2,799,000[3].

Yet, it must be added that Taiwan has suffered severely as a result of the global economic turmoil during the second half of the year. The stock market, exports and property prices have all nosedived, consumers have been spending less money, and advertisers have cut their budgets. In the face of these adversities, *Taiwan Apple Daily* still fared better than many of its competitors in terms of its advertising income, which declined by 16.2 per cent to HK$689.0 million, compared with the previous financial year's figure of HK$822.0 million.

Meanwhile, the same negative factors have impacted the newspaper's total revenue, which declined by HK$126.6 million, and its profitability, which fell by 92.0 per cent to HK$15.0 million compared with the previous financial year's profit of HK$186.8 million. Like all the Group's other divisions, the management of *Taiwan Apple Daily* has responded to the current economic storm by redoubling their efforts to contain and reduce every area of its costs.

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. Besides its avid readers, *Sharp Daily* has enjoyed strong support from its advertisers, most of whom are smaller local companies who cannot afford the high cost of island-wide advertising campaigns and who see it as an indispensable tool for reaching a prime audience in its biggest city.

Apple Daily Printing Limited

The Group's newspaper printing business managed to derive stable income against the backdrop of the global financial crisis. The total revenue of all its Hong Kong printing operations amounted to HK$377.6 million, a decline of 15.2 per cent on the previous year's figure of HK$445.5 million.

Excluding transactions related to printing Next Media's own publications, Apple Daily Printing Limited's revenue amounted to HK$117.6 million during the 2008/09 financial year, which was 28.3 per cent less than the HK$164.1 million it achieved in the preceding financial year. While its contract to print one of the city's free dailies expired and was not renewed (because the publisher had built its own printing plant to handle the work in-house), it succeeded in winning contracts to print locally distributed copies of the *Wall Street Journal Asia* and two Japanese newspapers. Work on behalf of these new clients began in September 2008.

Books and Magazines Publication Division

The Books and Magazines Publication Division continued to make a sizeable contribution to the Group's income. Its external revenue of HK$883.2 million during the year under review was 1.2 per cent higher than the previous year's figure of HK$872.7 million.

Next Magazine

The readership, revenue and profitability of the Group's flagship weekly, *Next Magazine*, were all affected by the economic downturn during the financial year ended 31 March 2009. Even so, the title held on to its No. 2 position in the weekly magazine market, and the superior demographic profile of its readers helped it to retain its appeal among advertisers, although most of them sharply reduced their overall budgets during the second half.

Next Magazine's share of Hong Kong's Chinese weekly magazine readership remained unchanged at 14.6 per cent, despite a decline in its average weekly readership among people aged 12 and over from 800,000 in 2007 to 782,000 in 2008[1]. Its average weekly sales rebounded from 120,628 copies in the second half of 2007 to 132,011 in the corresponding period of 2008, an increase of 11,383 copies a week or 9.4 per cent[2].

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

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 resilience of its advertising revenue, which amounted to HK$172.6 million during the year, a figure that was 3.4 per cent lower than the previous year's total of HK$178.6 million.

Sudden Weekly Bundle

Sudden Weekly Bundle further extended its leading edge among its predominantly female target readers, with a 16.8 per cent share of this market segment, compared with its closest rival's 9.1 per cent. The average weekly readership of this title, which incorporates *Sudden Weekly, Eat and Travel Weekly* and *ME!*, shot up to 898,000 people aged 12 and above, a rise of 7.9 per cent on the previous year's 832,000[1]. Meanwhile, due to the increase of cover price from HK$12 to HK$15 in June 2008, its average weekly sales declined from 200,168 copies for the second half of 2007 to 167,921 copies for the same period of 2008, a fall of 32,247 copies or 16.1 per cent[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. In 2008, 69.2 per cent of its readers had a monthly personal income of over HK$15,000, while 45.8 per cent of them lived in households with a total income exceeding HK$25,000.

These factors have helped *Sudden Weekly Bundle* to retain its attractiveness among advertisers. The title's advertising sales income amounted to HK$187.9 million during the 2008/09 financial year, an increase of 8.8 per cent on the previous year's figure of HK$172.7 million. Meanwhile, its circulation income rose by 8.8 per cent. As a result, the title's revenue totalled HK$276.5 million during the 2008/09 financial year, compared with HK$254.1 million in the previous year.

FACE Bundle

Easy Finder entered a new chapter in its history 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 recorded an average weekly readership of 207,000 people during 2008, a decline of 48.6 per cent on the figure of 403,000 during the previous year[1]. Meanwhile, following the increase of cover price from HK$5 to HK$8 in November 2007, it sold an average of 72,211 copies a week during the second half of 2008, compared with 95,699 copies in the corresponding period of 2007[2].

Among its readers in 2008, 35.0 per cent were aged 15–24, while 34.0 per cent were aged 25 to 34. In addition, 47.6 per cent of them lived in a household with a total monthly income of over HK$30,000.

The total revenue of *FACE Bundle* declined by 10.5 per cent to HK$102.8 million during the year under review, compared with HK$114.9 million in the previous 12 months.

Taiwan Next Magazine

Its dynamic content and attractive appearance have made *Taiwan Next Magazine* a hit among readers since the first issue arrived on the island's news stands back in 2001. The fearless, unconventional and often controversial way 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. It has also earned the magazine an unrivalled lead as Taiwan's most widely read weekly.

An average of 1,624,000 readers aged 12 and above relied on *Taiwan Next Magazines* for updates and in-depth analysis every week during 2008, an increase of 14.9 per cent on its readership of 1,414,000 the previous year and equal to about 42.9 per cent of the combined readership of the island's top five magazines[3]. The title also sold an average of 120,901 copies a week in the second half of the same year, compared with 114,683 in the corresponding months of 2007[4].

Its circulation income increased by 2.3 per cent, *Taiwan Next Magazine's* popularity among the public remained a magnet for the island's advertisers, and its advertising sales amounted to HK$164.3 million during the 2008/09 financial year, an increase of 1.6 per cent on the figure of HK$161.7 million during the previous 12 months.

The Group remains convinced that *Taiwan Next Magazine* will continue to attract a loyal and growing army of readers, as well as the island's major advertisers. The dominant position it occupies in the market will position it well to benefit from the economic recovery, and it will continue to make a major contribution to the Group's profits in the years to come.

Books and Magazines Printing Division

Next Media's commercial printing operations continued to make a steady contribution to the Group's total revenue. Its revenue during the year ended 31 March 2009 amounted to HK$309.2 million, which was 3.2 per cent higher than the figure of HK$299.6 million for the previous year. Internal sales accounted for HK$172.7 million or 55.9 per cent of this, while sales to external customers made up the other HK$136.5 million, an increase of 11.7 per cent on the preceding year's figure of HK$122.2 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 on generating 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 way to access their favourite Next Media publications. Its advertising income grew healthily during the year under review, and it attracted an average of 2 million unique visitors and 100 million page views per month, making it Hong Kong's most popular interactive news portal. In Taiwan, it maintained a monthly average of 1.7 million unique visitors and 50 million page views. Both the Hong Kong and Taiwan websites had undergone a major revamp during the year to enhance the quality of their content and presentation.

Meanwhile, the Division's external revenue amounted to HK$44.6 million, compared with HK$39.4 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 is therefore reengineering the portal's contents and establishing webcast and animation divisions. Although the costs of human resources and other factors associated with this project led to the Internet Division making a segment loss of HK$62.2 million this year, the Group regards these as very worthwhile investments that will ensure its long-term success.

Sources:

1. The 2008 Nielsen Media Index: Hong Kong Report (January — December 2008)
2. Hong Kong Audit Bureau of Circulations Ltd.
3. Media Index (January — December 2008), Nielsen Media Research, Taiwan
4. The Audit Bureau of Circulations, R. O. C.

Financial Review

CONSOLIDATED FINANCIAL RESULTS

Revenue

The Group recorded a total revenue of HK$3,291.5 million during the year ended 31 March 2009. This represents a decrease of 5.5 per cent or HK$192.3 million on the figure of HK$3,483.8 million achieved in the previous 12 months, which was mainly due to a fall of 8.7 per cent in the total advertising sales of the Group's publications. These account for 58.2 per cent of their respective total incomes, the rest being derived mainly from circulation sales.

Hong Kong remained the principal geographical source of the Group's revenue. Its operations in the city were responsible for HK$1,885.2 million or 57.3 per cent of its total revenue during the 2008/09 financial year. Taiwan was the second-largest revenue earner, accounting for 40.1 per cent of the Group's total revenue. The income derived from Taiwan declined by 8.3 per cent from the previous year's HK$1,440.1 million to HK$1,319.9 million during the 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$2,227.2 million or 67.7 per cent of its total revenue, a decrease of HK$222.3 million or 9.1 per cent on the figure of HK$2,449.5 million for the previous financial year.

The Books and Magazines Publication Division performed satisfactorily, generating HK$883.2 million or 26.8 per cent of the Group's total revenue. Meanwhile, the Books and Magazines Printing Division contributed HK$136.5 million or 4.1 per cent.

EBITDA and Segment Results

The Group's Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) for the year ended 31 March 2009 amounted to HK$457.9 million. This represented a decline of HK$314.7 million or 40.7 per cent on the figure of HK$772.6 million achieved during the previous financial year. This result was mainly due to a drop in the figure for advertising sales during the second half of the financial year under review.

The Group made a segment profit of HK$345.1 million during the year under review, which was 45.7 per cent lower than the figure of HK$635.5 million reported in the preceding financial year.

The Newspapers Publication and Printing Division's segment profit fell by 51.0 per cent to HK$226.9 million, compared with the previous year's figure of HK$462.7 million.

The segment profit of the Books and Magazines Publication Division increased by 3.1 per cent to HK$131.6 million, compared with the figure of HK$127.6 million recorded in the previous year.

The Books and Magazines Printing Division recorded a segment profit of HK$48.8 million, a decrease of 26.6 per cent on the last year's figure of HK$66.5 million.

Operating Expenses

The Group's operating expenses totalled HK$2,979.0 million during the financial year under review. This was HK$114.1 million or 4.0 per cent higher than the previous year's figure of HK$2,864.9 million. HK$1,346.7 million or 45.2 per cent of this amount consisted of essential production costs such as paper. The cost of paper rose steeply during the year, although it has remained static by the end of 2008. Personnel costs accounted for HK$1,150.3 million or 38.6 per cent of the Group's total operating expenses, an increase of HK$39.7 million or 3.6 per cent on the previous year's figure of HK$1,110.6 million.

Taxation

The taxes levied on the Group during the 2008/09 financial year amounted to HK$55.0 million, a decrease of 43.6 per cent compared to the previous year's figure of HK$97.6 million. The difference was mainly due to a decline in the Group's taxable profit, as well as 1.0 per cent reduction in the rate of Profits Tax, from 17.5 per cent to 16.5 per cent.

FINANCIAL POSITION

Current Assets and Current Liabilities

As at 31 March 2009, the Group held HK$1,557.9 million in current assets, a decrease of 5.6 per cent on the figure of HK$1,650.5 million a year earlier. The Group's total liabilities on the same date were HK$1,215.9 million, an increase of 2.3 per cent on the figure of HK$1,188.8 million 12 months earlier. The Group's bank balances and cash, including restricted bank balances, totalled HK$900.8 million as at 31 March 2009. The current ratio on the same date was 290.1 per cent, a decrease of 0.2 per cent compared to the ratio of 290.6 per cent a year before.

Trade Receivables

As at 31 March 2009, the Group's trade receivables totalled HK$402.6 million, a decrease of 22.9 per cent over the figure of HK$522.5 million at the end of the previous financial year. The average revenue days for the Group's trade receivables as at 31 March 2009 was 51.3 days, compared to 54.3 days on the same date of the previous year.

Trade Payables

As at 31 March 2009, the Group's trade payables amounted to HK$163.0 million. This was 24.9 per cent more than the figure of HK$130.5 million on the same date of the previous financial year. The average revenue days for its trade payables was 39.8 days, compared to 40.5 days during the previous financial year.

Long-term and Short-term Borrowings

As at 31 March 2009, the Group's long-term borrowings, including current portions, totalled HK$507.5 million. This represented an increase of 39.1 per cent on the figure of HK$364.8 million on the same date of the previous financial year. As at 31 March 2009, the current portion of the Group's long-term borrowings stood at HK$142.7 million, an increase of 85.8 per cent measured against a figure of HK$76.8 million 12 months earlier.

Borrowings and Gearing

The Group's primary source of financing for its operations during the 2008/09 financial year was the cash flow generated by its operating activities and — to a lesser extent — the banking facilities provided by its principal bankers.

During the year, its available banking facilities totalled HK$775.4 million, of which HK$515.0 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.

The Group's bank borrowings during the year were denominated in Hong Kong and New Taiwanese dollars. As at 31 March 2009, the Group's total bank balances, including restricted bank balances and cash on hand, amounted to HK$900.8 million. Its gearing ratio on the same date was 11.7 per cent, compared to 7.9 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 2009, the Company's total issued share capital was HK$2,412.5 million. This amount was made up of 2,412,496,881 shares with a par value of HK$1.00 each.

Cash Flow

The Group's net cash inflow from operating activities during the year ended 31 March 2009 amounted to HK$386.2 million, whereas its cash inflow from operating activities in the preceding year was HK$657.0 million.

The outflow of investment-related cash during the 2008/09 financial year totalled HK$44.5 million. This figure represented a decrease of 3.7 per cent on the total amount of HK$46.2 million during the previous financial year.

The Group's net cash outflow for financing activities during the year reached HK$294.7 million, compared to the preceding year's net cash outflow figure of HK$622.1 million. The 2008/09 figure mainly represented a total amount of HK$458.4 million paid in dividends, HK$206.3 million in repayments of bank borrowings, and HK$379.9 million in new loans.

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 appropriate. As at 31 March 2009, the Group's net currency exposure stood at NT$4,574.1 million (the equivalent of HK$1,045.3 million) an increase of 41.8 per cent on the figure of NT$3,225.7 million (the equivalent of HK$828.5 million) a year earlier. The Group will continue to monitor its overall currency exposure, and it will take steps to hedge further against such exposure if and when necessary.

The Group's capital expenditure for the 2008/09 financial year totalled HK$50.3 million, of which HK$21.8 million was used to fund its operations in Taiwan. By the year-end, it had committed to further capital expenditure of HK$9.3 million on its operations, of which HK$4.3 million was to fund its operations in Taiwan.

Pledge of Assets

As at 31 March 2009, Next Media had pledged certain elements of the Group's Hong Kong and Taiwanese property portfolio and printing equipment to Hong Kong and Taiwan banks as security for bank loans granted to the Group's Hong Kong subsidiaries and Taiwan branches. The aggregate carrying value of these assets was HK$666.9 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 in the publishing business.

In addition, the Group had a dispute with UDL Contracting Limited ("UDL") as the contractor for the construction of a printing facility of a subsidiary of the Company, Apple Daily Printing Limited, over amounts payable in respect of the construction of the facility. This dispute is now under arbitration and the final outcome remains uncertain.

In connection with the acquisition of Database Gateway Limited and its subsidiaries (the "Acquired Group") on 26 October 2001, Mr. Lai Chee Ying, Jimmy ("Mr. Lai"), the 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, in view of the indemnity given by Mr. Lai, it is unlikely the Group would have any liability if UDL were to pursue its various claims to their ultimate conclusion. It is therefore the opinion of the Directors of the Company that the outstanding claims brought by UDL would not have any adverse material impact on the Group's financial position.

Next Media also maintains contingent liabilities that are related to various corporate guarantees the Company has provided to financial institutions for facilities utilised by certain of its subsidiaries. As at 31 March 2009, these contingent liabilities stood at HK$5.5 million.

Intangible Assets

In light of the current accounting standards, particularly, HKAS 38 in respect of the valuation of intangible assets, the Board appointed an independent professional valuer to conduct a valuation of the Group's masthead and publishing rights as at 31 March 2009, 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 2009 was HK$1,981.6 million (31 March 2008: HK$2,565.0 million) against the corresponding carrying value of HK$1,300.9 million as at 31 March 2009 (31 March 2008: HK$1,300.9 million). Accordingly, a revaluation surplus of HK$680.7 million as at 31 March 2009 (31 March 2008: HK$1,264.1 million) arose on a Group basis. The Group's accounting policy is to state these intangible assets at cost less accumulated amortisation and accumulated impairment loss so no adjustment was made to the Group's financial statements for this revaluation surplus.

PROSPECTS AND OUTLOOK

The Group's results for the year were somewhat disappointing, due to the worldwide economic turbulence during the second half. However, it strongly believes that its unrivalled position as Hong Kong and Taiwan's leading Chinese-language print-media publisher will enable it to continue weathering the storms more successfully than many of its competitors are capable of doing. It will also be ready to leverage on this to rebound quickly when the economic upturn arrives, as it inevitably will, and to continue on its course of growth and success.

Apple Daily enjoys a strong position in the Hong Kong's newspaper market and a loyal readership. *Next Magazine* and *Sudden Weekly Bundle* are the best-selling and most widely read weeklies in their respective categories, while *FACE Bundle* remains one of the favourite weeklies in the youth market. Their readers also possess a more attractive demographic profile for advertisers than those of their rivals.

Taiwan Next Magazine is set to maintain — and extend — its leadership status in the market, while *Taiwan Apple Daily* has overtaken all the island's other daily newspapers in terms of its readership.

Despite some recent promising signs, such as the modest rebounds in stock markets around the world during the past few months, the leading international economists remain undecided about whether these are the first signs of a sustained recovery or merely temporary phenomena.

Amid the present uncertainties, there are several things everyone can be sure of. The first is that it will take some time for the world's economies to regain the ground they have lost during the year. The second is that they will do so eventually.

More importantly, the people of Hong Kong and Taiwan have always demonstrated enormous fortitude and flexibility in the face of the most adverse situations, as shown by the speed with which they bounced back from the effects of the Asian financial crisis in 1997 and SARS in 2003. They are therefore more than likely to lead the world in overcoming the economic setbacks it has experienced since mid-2008.

Next Media has always regarded Taiwan as an ideal location for building its business in the future, and it will remain its aim to obtain roughly equal shares of its revenue from Taiwan and Hong Kong. The Group has been making steady progress towards achieving this goal during the past eight years, and it will continue to do so in the future.

In the coming months, the Group will expand the scope and scale of its media business on the island by establishing its first-ever TV operation there. It is in the process of setting up studios and hiring top-calibre professional for the launch, which is tentatively scheduled for the first half of 2010. This will be an exciting new venture for the Group, since it will make its brand more comprehensive and competitive than ever by creating a synergy that will allow it to reach out to new audiences and advertisers on Taiwan.

At the same time, the Group's print media operations will continue to be its core business. The Group will keep its belt firmly tightened and continue to monitor and control its costs in both Hong Kong and Taiwan during the coming months. Yet, it will never falter in its mission to ensure that its publications always deliver the highest standards of quality and professionalism to their readers and advertisers.

Dividend

The Directors have resolved not to recommend the payment of a final dividend for the year (in 2007/08: a final dividend of HK9.0 cents and a special dividend of HK10.0 cents per share were paid).

Forward-looking Statements

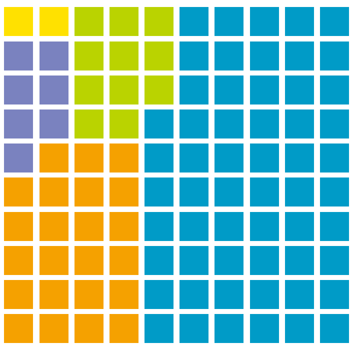
This document contains several statements that are "forward-looking", or which use various "forward-looking" terminologies. Such statements are based on the current beliefs, assumptions, expectations and projections of the Directors regarding the industry and markets in which the Group is active. Readers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

GEARING UP

Next Media strives to be a responsible corporate citizen who benefits the communities we operate in. In Hong Kong, we have assisted less-privileged members of the community for more than 10 years, through direct financial support and sponsorship of social service programmes, as well as bursaries for students. In Taiwan, the Apple Daily Charity Fund assists disadvantaged members of society in similar ways, and provides subsidies for their medical and educational expenses.

Group Commitments

Headcount report as at 31 March 2009



- Newspaper Publication and Printing Division — **57%**
- Books and Magazines Publication Division — **23%**
- Books and Magazines Printing Division — **7%**
- Internet Division — **2%**
- Supporting Division & Others — **11%**

MAINTAINING STRONG RELATIONSHIPS WITH INVESTORS

As a leading media company in Hong Kong and Taiwan, Next Media is committed to maintaining good relations with our investors. We believe effective communication between investors, shareholders and the Company is essential for sustaining the growth of our business and achieving greater and enduring corporate value. We therefore make it a high priority to provide them with complete, timely and accurate information.

During the year, our Directors and senior management team maintained an ongoing dialogue about our performance and our business strategies through active participation in briefings, meetings and company visits with various interested parties, including research analysts and institutional investors.

We also regard our annual general meetings as valuable opportunities to provide our individual shareholders with a deeper understanding of the Company and its development.

In addition, we make up-to-date and comprehensive corporate information available on our website, *http://www.nextmedia.com*. This includes both the English and Chinese versions of our interim and annual reports, public announcements, circulars and press releases.

In return, we value the feedback we receive from our shareholders, which we regard as a source of valuable input and perspectives that enhance our continuous efforts to improve our performance. We encourage them to send us 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 communications within seven days.

A SUPPORTIVE WORKING ENVIRONMENT FOR OUR EMPLOYEES

Equal Opportunities, Fair Rewards

High-calibre people are the foundations of Next Media's success. We respect the diverse abilities and personalities of our individual employees. Our recruitment policy has always been non-discriminatory, which means our staff members are appointed and promoted purely on the basis of their relevant skills and experience.

We recognise and reward employees who make outstanding contributions to the Group through variable pay-related methods, such as special year-end bonuses and a profit-sharing scheme. Special educational subsidies are offered to those employees who wish to obtain further professional or career-related qualifications. Regular seminars are arranged 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. All this helps to cultivate the commitment of our staff to strive for excellence and professionalism.

The Group provides a comprehensive range of employee benefits, including insurance and medical coverage, maternity and paternity benefits, as well as retirement and mandatory provident fund schemes. To motivate the members of our senior and middle management to generate extra value for our shareholders, we operate discretionary share option schemes and a share subscription and financing plan that offer them share options and invitations to subscribe for shares in Next Media and its operating subsidiaries.

The remuneration packages of our staff are reviewed every year in the light of each individual's responsibilities and the Group's business performance, together with internal benchmarks and prevailing market practices and conditions.

As at 31 March 2009, Next Media had 3,677 employees based in Hong Kong, Taiwan and Canada. During the year under review, Next Media's staff-related costs, including retirement benefits, amounted to HK$1,150.3 million, an increase of 3.6 per cent on the previous year's figure of HK$1,110.6 million.

Fostering Work-Life Balance

At Next Media, we believe people are more effective when their working and personal lives are in harmony. Sustainable work performance based on employee satisfaction is critical to our success. In line with our longstanding policy of caring for their well-being, we offer our employees a pleasant and professional working environment. For example, a wide range of leisure facilities are provided at our Hong Kong head office, including a cafeteria, open-air BBQ area and a superbly equipped fitness centre with a swimming pool and multi-function athletic court. We also arranged many different types of staff activities during the year, such as:

- An annual dinner;
- A Christmas party;
- Distribution of Chinese desserts on Mother's Day and Father's Day;
- A quiz about the 2008 Beijing Olympic Games;
- A Mid-Autumn Festival joy day;
- A family outing to Ocean Park;
- Weekly yoga classes; and
- Weekly tai-chi classes.

Children from low-income families visit elderly people living in the district.

A young man who suffers from cerebral palsy is able to communicate with the outside world better after being presented with computer equipment.

Disabled and healthy youngsters participate in Adventure-based Training.

Rice dumplings are distributed to 6,000 elderly and underprivileged people to enable them to share the joy of the Tuen Ng Festival.

In addition, Next Media proactively safeguards the health of our staff members. We arrange for commonly-used equipment and the ventilation system in our premises to be regularly cleaned and maintained, so as to maintain a clean and hygienic working environment. We also issue periodic health advice and guidelines to remind them about the importance of personal hygiene. Influenza vaccination programmes are also organised during influenza seasons. Such preventative measures aim to keep our staff members healthy and on the job, and to protect their families and co-workers.

Our people-centred approach has earned Next Media an enviable reputation as a preferred employer in the media industry. We do not simply offer 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 we operate in is equally important to us.

In 1995, we founded the Apple Daily Charitable Foundation in Hong Kong. Its principal objective is to assist 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.

Apple Daily gives ongoing support to the Foundation and its programmes by publishing a regular column appealing for donations from readers, as

Teenage girls at risk take part in Thai Boxing.

A Parent-child Workshop in Tin Shui Wai.

A group photo of guests and representatives of the recipients at the "2008 Apple Daily Bursaries Award Ceremony".

well as by donating 1.0 percent of its operating profits to the Foundation every month. The paper often devotes space to promoting the Foundation's charitable activities too. Since the fourth quarter of 2006, the Foundation has issued a quarterly newsletter to publicise its good work. This is distributed by mail via the Haven of Hope Integrated Vocational Rehabilitation Services Centre.

Despite the challenging economic environment that currently exists, the Foundation has maintained its devoted efforts to help underprivileged people. In July 2008, it launched a new online donation service. Readers can now make charitable donations to the Foundation anytime and anywhere via http://www.charity.atnext.com/donate. This website also provides the public with comprehensive and transparent information, such as details about both the individuals and charitable organisations who benefit from the Foundation's work, reports on the donations it receives and disburses, copies of its quarterly newsletter and information about its forthcoming events.

During the year, the Foundation distributed more than HK$2.5 million to support 53 social service projects for disadvantaged groups and numerous needy people. Meanwhile, the Apple Bursaries Scheme awarded bursaries with a total value of HK$5.0 million to 1,194 primary and secondary school students. In the coming year, the Bursaries Scheme will be extended to benefit full-time students who are pursuing undergraduate degrees at Hong Kong's 11 tertiary educational institutions.

Since its launch in May 2003, *Taiwan Apple Daily* has also established a similar foundation — the Apple Daily Charity Fund — in Taiwan, with an initial endowment of NT$15.0 million from the newspaper. The Fund aims to assist less-privileged people on the island through direct financial support, sponsorship of a variety of social service programmes, and subsidies for their medical and educational needs. Between 1 January 2008 and 31 December 2008, *Taiwan Apple Daily* donated NT$2.3 million to the Fund.

Serving the Community

Next Media's community service philosophy is based on the motto "Use what you receive from society to benefit society!" During the year, the Group and its employees supported the following social programmes:

- Our employees raised about HK$388,000 for victims of the devastating Sichuan Earthquake as soon as it happened in May 2008. The Company also topped up these donations to a total of HK$800,000, which was passed to the Hong Kong Red Cross to finance its relief and reconstruction work in Sichuan.

- The Foundation donated HK$660,000 to a programme entitled "Warm Action 2008–2009", which distributed more than 10,000 items of winter clothing and food parcels to elderly and disabled people and low-income families via 53 social organisations.

- "Caring about the underprivileged and sharing the joy of festivals with them" is another guiding principle of our community service. The Foundation donated HK$25,000 to provide 6,000 rice dumplings to needy people during the Tuen Ng Festival, and HK$320,000 to provide 20,000 mooncakes to them during the Mid-Autumn Festival. In addition, we organised a pre-Chinese New Year dinner for 600 low-income senior citizens.

- The Foundation donated HK$180,000 to 10 voluntary organisations that organise activities for children from underprivileged families. These included a Christmas party for 150 children in Tin Shui Wai and a visit to Hong Kong Disneyland for 50 children from Tuen Mun.

- The reports we published in *Apple Daily's* editorial columns resulted in its readers generously donating HK$130,000 towards the costs of medical treatment and a two-year post-treatment language training programme for Chong-chong, a two-year-old boy who suffers from innate sensorineural impairment. His parents had been unable to afford the huge amounts needed for his medical treatment and related equipment.

- Our employees donated blood to the Hong Kong Red Cross Blood Transfusion Service.

Next Media is committed to participating in community affairs, and we will continue to adhere to our philosophy of supporting disadvantaged members of society in the coming years.

CARING ABOUT THE ENVIRONMENT

Eco-friendly Initiatives

Concern about the environment is another important dimension of our commitment to society. Next Media strives to fulfil this goal in terms of our own operations and through our relationships with suppliers, customers and the wider community.

During the year under review, Next Media became a member of the Forest Stewardship Council. This is an international non-profit, multi-stakeholder organisation established in 1993 to promote responsible management of the world's forests. Our membership means we abide by its standards concerning independent certification and labelling of forestry products, and ensuring that they come from socially and environmentally sustainable sources.

In fact, Next Media used 162,700 metric tonnes of newsprint for our newspapers, plus another 19,800 metric tonnes of paper for our magazines during the 2008/09 financial year. This was supplied by reputable major manufacturers in Canada, China, Norway, Japan and Sweden, all of whom adhere strictly to manufacturing processes that minimise environmental impact and comply with the ISO14000 Environmental Management System Standard.

We also used approximately 1,872 tonnes of organic-based printing ink for our newspapers and 716 tonnes for our magazines during the same period. This consists 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 concerning environmental protection.

At the same time, we implement environmental monitoring and review systems in all our production processes. These incorporate a range of strategies and technologies that effectively reduce pollution. Moreover, we train our employees 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 comply fully with Hong Kong 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.

The wastepaper that Next Media's operations generate is processed by dedicated recycling companies. In addition, we have installed energy-saving lighting systems, and we use environmentally friendly cleaning materials. We regularly monitor the materials and other resources we use, with the aim of ensuring that these are either recycled or environmentally responsible.

OUR ACHIEVEMENTS DURING THE YEAR

The Group deeply appreciates the contributions every member of our team makes towards our success. In 2008/09, 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. The SOPA 2008 Awards for Editorial Excellence, organised by The Society of Publishers
   - Chinese-language publications: Award for Excellence in News Photography
   - Chinese-language publications: Award for Excellence in Newspaper Design
   - Chinese-language publications: Award for Excellence in Editorial Cartooning
2. Consumer Rights Reporting Awards 2008, organised by The Consumer Council
   - Press Photo — Winner
   - Press Photo — Honourable Mention
   - Features — Honourable Mention
3. The Second Hong Kong Humanity Award, co-organised by the Hong Kong Red Cross and Radio Television Hong Kong

Taiwan Apple Daily

4. Consumer Protection Right Reporting Awards 2008, organised by The Consumer Protection Commission of the Executive Yuan, Republic of China (Taiwan)
   - Print Media Reporting (Theme Reporting) — Honourable Mention
   - Print Media Reporting (Enthusiastic Reporting) — Honourable Mention: Cheng Chih Ren

Taiwan Next Magazine

5. 2008 Excellent Journalism Award, organised by the Foundation for Excellent Journalism Awards

Next Media Limited

6. 2008 Galaxy Awards — 19th Annual International Competition Celebrating Excellence in Product & Service Marketing
   - Annual Report (Non-Traditional) — Bronze Award Winner: Annual Report 07/08 "BALANCE•GROWTH"

Apple Daily Printing Limited

7. The 20th Hong Kong Print Awards
   - Newspaper Printing Champion's Award — *Apple Daily*
8. 2008 to 2010 International Newspapers Color Quality Club Membership Award

Corporate Governance

Next Media strives to apply good corporate governance practices 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 31 March 2009, the Board consisted of eight Directors (including four Executive Directors, one Non-executive Director ("NED") and three Independent Non-executive Directors ("INEDs")), and it had full and collective responsibility for overseeing the Group's operations by giving directions to and supervising its management.

Board Duties

- 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

As of the above date, the Board's four Executive Directors are Mr. Lai Chee Ying, Jimmy, Mr. Chu Wah Hui, Mr. Ting Ka Yu, Stephen, and Mr. Ip Yut Kin; it's one NED is Mr. Cheung Ka Sing, Cassian; and it's three INEDs are Mr. Fok Kwong Hang, Terry, Mr. Wong Chi Hong, Frank and Dr. Lee Ka Yam, Danny. Mr. Chu also acted as the Group's Chief Executive Officer ("CEO") with effect from 2 October 2008.

During the year under review, all the 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 the 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 CEO

Provision A.2.1 of the Code stipulates that the roles of the Chairman and CEO should be segregated with a clear division of responsibilities.

The Board appointed Mr. Chu as the Group's CEO with effect from 2 October 2008. With the support of the Executive Directors, he is responsible for formulating the Group's strategies and leads the management and operation unit heads to achieve the goals set by the Board with a focus to enhancing long term shareholder value. He is in charge of the Group's day-to-day management and operations. He also leads its management team of experienced and high-calibre individuals in ensuring that Next Media operates in accordance with its strategies. Mr. Lai ceased to act as the Group's CEO with effect from 2 October 2008, but as the Chairman of the Board he continues to determine its strategic direction and advise its management team from time to time.

Appointment, Re-election and Removal of Directors

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 one-third) of its 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 Board's current size, each Director has an average term of office of three years. The terms of appointment of all current NED and INEDs have been fixed for a term of two years from their respective dates of appointment, or the date of the renewal of appointment, whichever is applicable. Currently, the term of appointment of the NED and INEDs are as follows:

Name/Capacity	Term of Appointment
Mr. Cheung, NED	24.11.2008 to 23.11.2010
Mr. Fok, INED	01.04.2009 to 31.03.2011
Mr. Wong, INED	30.01.2009 to 29.01.2011
Dr. Lee, INED	09.03.2009 to 08.03.2011

During the year ended 31 March 2009, Mr. Ting and Mr. Fok retired and were re-elected as Directors of the Company at its AGM held on 21 July 2008.

Responsibilities of Directors

The Board members are aware of their responsibilities and duties, and have assumed responsibility for leadership and control and been collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs.

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 these, 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 also provides refresher seminars for all the Directors as and when necessary, in order 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. During the year, an orientation workshop was organized for the newly appointed NED and INEDs to give them a better understanding of the Group's structure and operations as well as its strategies.

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 the offices they hold in other public companies or organizations. They are also required to declare all their other significant commitments, including the identity of the relevant public companies or organizations. During the year under review, apart from Mr. Chu, none of the Executive Directors held any directorship or office in any other public companies or organizations. Mr. Chu is currently a director and member of the nominating and corporate governance committee of Mettler-Toledo International Inc., a U.S. corporation listed on the New York Stock Exchange and a non-executive director of Li Ning Company Limited, a company incorporated in the Cayman Islands with its shares listed on the Stock Exchange.

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 and minutes, and keeps records of matters discussed and decisions resolved at Board/Committee 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.

During the year, four Board meetings were held on 26 May 2008, 22 September 2008, 1 December 2008 and 17 March 2009. Details of the Directors' attendances are as follows:

Director	Number of Board meetings attended	Attendance rate
Mr. Lai	4/4	100%
Mr. Chu (appointed on 02.10.2008)	2/2	100%
Mr. Ting	3/4	75%
Mr. Ip	4/4	100%
Mr. Tung Chuen Cheuk (resigned on 17.03.2009)	3/3	100%
Mr. Cheung (appointed on 24.11.2008)	2/2	100%
Mr. Yeh V-Nee (resigned on 20.01.2009)	3/3	100%
Mr. Fok	4/4	100%
Dr. Kao Kuen, Charles (resigned on 30.01.2009)	0/3	0%
Mr. Wong (appointed on 30.01.2009)	1/1	100%
Dr. Lee (appointed on 09.03.2009)	1/1	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 consisting of 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 and Deputy 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).

In view of the amendments made to the Listing Rules, which took effect on 1 January 2009, the Board adopted revised terms of reference for the Audit Committee at its meeting held on 17 March 2009, in order to ensure its continued full compliance with the Listing Rules.

During the year, Mr. Yeh V-Nee and Dr. Kao Kuen, Charles, the Chairman and a member of the Audit Committee, resigned on 20 and 30 January 2009, respectively. The Board identified and appointed suitable candidates to fill their vacancies by appointing Mr. Wong and Dr. Lee as members of the Audit Committee on 30 January 2009 and 9 March 2009, respectively. Dr. Lee also acted as Chairman of the Audit Committee from the date of his appointment.

The Audit Committee's current membership consists solely of INEDs, namely, Dr. Lee, Mr. Fok, and Mr. Wong. 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, Dr. Lee, possesses the professional qualifications and financial management expertise required under the Listing Rules.

Audit Committee Functions

The Audit Committee meets regularly, normally twice a year, with the external auditor, professional advisers and management team to assist the Board in overseeing the Group's financial reporting, the appointment of auditor and their fees, and the effectiveness of the internal control system. It will convene additional meetings whenever its members 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 twice, on 19 May 2008 and 21 November 2008, with the external auditor 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 2008;
- The internal control review report for the year ended 31 March 2008 and the internal audit plan for the year ended 31 March 2009;
- The Group's interim financial statements for the six months ended 30 September 2008; and
- The internal control review report for the six months ended 30 September 2008.

Apart from Dr. Kao, the Audit Committee's other members, namely Mr. Yeh and Mr. Fok, attended both of its meetings during the year ended 31 March 2009.

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 to answer the Committee's questions. Working closely with the external auditor 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 Auditor

The Audit Committee is responsible for reviewing the external auditor's audit review report and ensuring that the management makes timely responses to all issues raised therein. To ensure the full independence of the external auditor, the Audit Committee also reviews all non-audit-related services provided by the external auditor. During the year, the total fees paid and payable to the external auditor for non-audit-related services amounted to HK$1,048,000. This sum included HK$548,000 for taxation services and HK$500,000 for a review of the Group's interim results for the six months ended 30 September 2008.

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 consists of Executive Director and INEDs, and most of its members are INEDs.

During the year, Mr. Yeh, Dr. Kao and Mr. Tung resigned as Directors of the Company and accordingly ceased to act as members of the Remuneration Committee on 20 January, 30 January and 17 March 2009, respectively. Following the appointments of Mr. Wong and Dr. Lee as INEDs of the Company, which took effect on 30 January and 9 March 2009 respectively, they were also appointed as members of the Remuneration Committee.

As of 31 March 2009, the Remuneration Committee consisted of four Directors, namely, Mr. Ting, an Executive Director; and Dr. Lee, Mr. Fok and Mr. Wong, all of whom are INEDs of the Company.

Remuneration Committee Functions

The Remuneration Committee is responsible for reviewing and developing all policies relating 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 is also responsible for ensuring that no Director or any of his associates is involved in deciding his own remuneration. The Board has the 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 the written consent of all its members to recommend proposals concerning these to the Board for its consideration:

- The remuneration package of the Group's CEO, Mr. Chu;
- An amendment to the terms of the Group's Senior Executive Incentive Scheme; and
- The fees of the Company's Directors for the year ended 31 March 2009.

CODE, CODES OF CONDUCT AND INTERNAL CONTROLS

Compliance with the Code

Throughout the year ended 31 March 2009, 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 CEO should be separated and should not be performed by the same individual.

During the earlier part of the year under review, the Chairman of the Board, Mr. Lai, was also the Group's CEO. He was responsible for overseeing the Group's operations with the assistance of the Executive Directors and senior management team of the Group. Such structure deviated from A.2.1 of the Code that requires the roles of Chairman and CEO to be separated and not performed by the same person.

However, following the appointment of Mr. Chu as the Group's CEO, Mr. Lai ceased to act in this function with effect from 2 October 2008, but he remains the Chairman of the Board. For details of Mr. Chu's role and responsibilities, please see the section headed "Chairman and CEO" in this report. This segregation provides a clear distinction between the roles of the Chairman and CEO with their respective responsibilities clearly stipulated in writing.

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 21 July 2008. Mr. Ting, an Executive Director, attended and chaired the AGM 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 its Directors have confirmed that they fully complied with the required standards of the Model Code for the year ended 31 March 2009.

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 authority.

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 and evaluation of 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 2009, the Group conducted a review of 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 Board members and shareholders can meet to share opinions and ideas. Shareholders are invited to direct questions to the Board at the AGM. 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 AGM held on 21 July 2008, all the resolutions put 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. Specific activities undertaken in this area during the year included the publication 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 61, has been a Director and Chairman of the Company since 1999 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. Chu Wah Hui, aged 58, has been a Director of the Company and the Chief Executive Officer of the Group since October 2008. He is responsible for formulation of the Group's strategies and leads the management and operation unit heads to achieve goals set by the Board with a view to enhancing long term shareholder value. Mr. Chu is also currently a director of Mettler-Toledo International Inc. and a non-executive director of Li Ning Company Limited. Prior to joining the Group, he held various management positions in several U.S. multinational companies since 1976, namely, PepsiCo., Monsanto, Whirlpool, H.J. Heinz and Quaker Oats. He holds a Bachelor of Science degree from the University of Minnesota and a Master of Business Administration degree from Roosevelt University, both in the U.S.

Mr. Ting Ka Yu, Stephen, aged 50, has been a Director of the Company since October 1999. He is currently the Group's Chief Operating Officer and Chief Financial Officer. 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 57, 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.

NON-EXECUTIVE DIRECTOR

Mr. Cheung Ka Sing, Cassian, aged 53, a Director of the Company since November 2008, is currently an adjunct professor and an advisory board member of the Hong Kong University of Science and Technology — Business and Management School. He also serves as an advisor to several Chinese and European companies in the advertising and marketing fields and is an independent non-executive director of Trinity Limited, a member of the Li & Fung Group. Mr. Cheung attended universities in the U.S.A. and received a Master of Management degree from the Northwestern University Kellogg School of Management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Fok Kwong Hang, Terry, aged 54, 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.

Mr. Wong Chi Hong, Frank, aged 54, has been a Director of the Company since January 2009. He is currently the President of the Asia region for Scholastic Inc. Prior to that, he held various general management and brand management positions with multinational companies in the U.S. and Mainland China such as Pepsi, Nabisco and Colgate Palmolive. Mr. Wong has a BA degree from George Washington University and a Master degree from Columbia University, and did further graduate studies at Harvard University's Kennedy School of Government. He is a member of the International Advisory Council of George Washington University's School of Public & International Affairs; and Chairman of the Communications and Marketing Committee of the American Chamber of Commerce in Hong Kong.

Dr. Lee Ka Yam, Danny, aged 47, has been a Director of the Company since March 2009. He was working in Ogilvy Group (China, Hong Kong and Taiwan) from 1990 to 2008 where he last held the position of vice chairman, chief operating and financial officer. He has extensive experience in strategic management, merger and acquisitions, assurance and financial advisory work, particularly in the areas of marketing communications and media industry. Dr. Lee is a fellow member of the Chartered Association of Certified Accountants UK, the Hong Kong Institute of Certified Public Accountants and an associate member of the Institute of Chartered Accountants in England and Wales.

Dr. Lee obtained a Master of Arts degree in international accounting from the City University of Hong Kong, a Master of Arts degree in English for the professions and a Doctorate degree in business administration, both from the Hong Kong Polytechnic University and a Master of Science degree in electronic commerce and internet computing from the University of Hong Kong.

SENIOR MANAGEMENT

Mr. Tung Chuen Cheuk, aged 67, is currently the Chairman of *Apple Daily*, and he was a Director of the Company from June 2003 to March 2009. 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*.

Mr. Tu Nien Chung, James, aged 57, 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. Peir Woei, aged 48, 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. King Pu-tsung, aged 52, joined the Group as the Chief Executive Officer of the TV Operation in Taiwan in February 2009. The holder of a bachelor degree in Journalism and a Master degree in Mass Communication, Mr. King obtained his Ph. D degree in Journalism from the Graduate School of Journalism at the University of Texas at Austin in 1994. Prior to joining the Group, Mr. King was an Associate Professor at the graduate school of Journalism, College of Communication of the National Chengchi University in Taiwan from 1994 to 2004 and his specialized field of study was Public Opinion and Political Communication. He served at the Taipei City Government as the director of the Department of Public Information from 1998 to 2000 and as the Deputy Mayor from 2004 to 2007. He was a Visiting Scholar of the Centre of Economics and Finance of The Chinese University of Hong Kong from August 2008 to January 2009.

Ms. Yu Wing San, Sandy, aged 50, is currently the Assistant to the Chairman of the Group. She graduated from the Hong Kong Baptist College (now known as The Hong Kong Baptist University), majored in cinema studies. Ms. Yu has over 20 years of experience in the production of TV programmes, and has held different key creative and production positions in a number of major corporations involved in the production of TV programmes in Hong Kong, including Television Broadcasts Limited ("TVB"), Asia Television Limited ("ATV"), Star East Holdings Limited and i-CABLE Communications Limited.

Mr. Chow Tat Kuen, Royston, aged 51, 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 56, 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. Lee Chi Ho, aged 43, 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 48, 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 40, 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 18 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 43, 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

as at 31 March 2009

DIRECTORS

Lai Chee Ying, Jimmy (Chairman)
Chu Wah Hui (Chief Executive Officer, appointed on 2 October 2008)
Ting Ka Yu, Stephen (Chief Operating Officer and Chief Financial Officer)
Ip Yut Kin
Cheung Ka Sing, Cassian[Δ] (appointed on 24 November 2008)
Fok Kwong Hang, Terry*
Wong Chi Hong, Frank* (appointed on 30 January 2009)
Lee Ka Yam, Danny* (appointed on 9 March 2009)

Δ Non-executive Director

* Independent Non-executive Director

AUTHORISED REPRESENTATIVES

Chu Wah Hui
Ting Ka Yu, Stephen

COMPANY SECRETARY

Wong Shuk Ha, Cat

AUDITORS

Deloitte Touche Tohmatsu

PRINCIPAL BANKERS

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

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) 2623 9386 or by e-mail at ir@nextmedia.com

WEBSITE

http://www.nextmedia.com

Company Profile

BUILDING SUCCESS IN HONG KONG AND TAIWAN

Since we launched *Next Magazine* in 1990 and *Apple Daily* in 1995, Next Media has become the largest and one of the most important Chinese-language print media publishing groups in Hong Kong.

Readers know they can rely on Next Media's publications for comprehensive, in-depth, forthright and factual coverage of the 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 portfolio of publications in Hong Kong has grown to include five other weekly magazines, plus a website. Their combined readerships, circulations and advertising revenues place us at the forefront of the local media scene.

Next Media is committed to constantly seeking new ways to create value for our shareholders. In 2001, we launched *Taiwan Next Magazine*, which was followed by *Taiwan Apple Daily* in 2003. Using the same direct and informative journalistic style and lively layouts as their Hong Kong counterparts, but with 100 per cent local content, the two titles have quickly seized leading positions in the island's weekly magazine and daily newspaper markets. In 2006, we also launched *Sharp Daily*, our first free daily newspaper, in Taipei. Over the past three years, this title has succeeded in capturing the interest of younger readers in the city and attracted smaller local advertisers. In addition, we launched "1-apple.com.tw", a new website aimed at Taiwan's Internet users, in early 2007.

In the coming months, Next Media will expand the scope and scale of our media business in Taiwan by establishing our first-ever TV operation there. This will serve to make our brand more comprehensive and competitive than ever by creating a synergy that will allow us to reach out to new audiences and advertisers on the island.

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

TV BROADCASTING BUSINESS

TV Channels

Share Information

as at 31 March 2009

Shareholders of Ordinary Shares

Mr. Jimmy Lai	74.04%
Directors other than Mr. Jimmy Lai	0.61%
Others	25.35%

Authorised Share Capital	HK$4,600,000,000 4,600,000,000 Ordinary Shares at HK$1.00 each
Issued Share Capital	HK$2,412,496,881

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	2,274,000 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

Share Options for Ordinary Shares granted under the 2007 Share Option Scheme of the Company and remaining unexpired

at an exercise price of HK$1.880 each	10,000,000 Option Shares
at an exercise price of HK$1.000 each	400,000 Option Shares

Market Capitalisation

at HK$0.81 per Ordinary share (Closing price on 31 March 2009)	HK$1.95 billion

Stock Code

The Stock Exchange of Hong Kong Limited	
Main Board	00282

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 2009 (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 37 to the Financial Statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 8 to the Financial Statements. A discussion of the material factors underlying the Group's performance and its financial position are provided in the Management Discussion and Analysis on pages 18 to 33.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 86.

No interim dividend (2008: HK5.0 cents per ordinary share) was paid to the shareholders during the year.

The Directors have resolved not to recommend the payment of a final dividend for the year (2008: final dividend of HK9.0 cents and special dividend of HK10.0 cents per ordinary share).

PROPERTY, PLANT AND EQUIPMENT

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

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 176.

SHARE CAPITAL

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

RESERVES

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

DISTRIBUTABLE RESERVES

As at 31 March 2009, distributable reserves of the Company, calculated under section 79B of the Hong Kong Companies Ordinance, amounted to HK$347,804,000 (2008: HK$474,491,000).

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group accounted for 37.9% of the Group's revenue and the five largest suppliers of the Group accounted for 44.5% of the Group's total purchases for the year. The largest customer of the Group accounted for 31.1% of the Group's revenue and the largest supplier of the Group accounted for 25.0% 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$3,604,000 (2008: HK$2,154,000).

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 remained 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 per Share shall be no less than the highest of: (i) the closing price of the Share 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 Share 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 Share 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 01.04.2008	Exercised during the year	Lapsed during the year	Cancelled during the year	Balance as at 31.03.2009
Director								
Ting Ka Yu, Stephen	18.03.2002	HK$1.670	19.03.2003–28.12.2010	1,618,000	–	–	–	1,618,000
Employees								
In aggregate	18.03.2002	HK$1.670	19.03.2003–28.12.2010	1,324,000	(668,000)	–	–	656,000
	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	17,850,000 (Note)	–	–	–	17,850,000
	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				23,792,000	(668,000)	–	–	23,124,000

Note: Mr. Tung Chuen Cheuk resigned as a Director of the Company on 17 March 2009, but remains as an employee of the Group. As such, his 3,000,000 options entitlement has been included under the category of employees.

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 lapsed or cancelled under the 2000 Share Option Scheme of the Company during the year ended 31 March 2009.

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 per Share 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 Share as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant; (ii) the average closing price of the Share 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 Share 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.

8. The table below sets out movements in the share options under the 2007 Share Option Scheme during the year:

Name or category of participant	Date of grant	Exercise price per share	Exercisable period	Balance as at 01.04.2008	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Balance as at 31.03.2009
Director									
Chu Wah Hui	02.10.2008	HK$1.880	03.10.2008–01.10.2013	—	10,000,000	—	—	—	10,000,000
Employee									
In aggregate	20.01.2009	HK$1.000	06.01.2009–04.01.2014	—	400,000	—	—	—	400,000
Total outstanding				—	10,400,000	—	—	—	10,400,000

The options granted under the 2007 Share Option Scheme shall be 100% fully vested on the 1st anniversary date from their respective dates of grant.

Save for the aforesaid movements, no options were exercised, lapsed or cancelled under the 2007 Share Option Scheme of the Company during the year ended 31 March 2009.

The Company has used the Binomial Model for assessing the fair values of the share options granted during the year ended 31 March 2009. It 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:

	2 October 2008	20 January 2009
Risk free rate	2.610% per annum	1.166% per annum
Expected volatility	40% per annum	45% per annum
Expected dividend yield	9.0% per annum	0% per annum until 31.03.2010 and 4.5% per annum thereafter
Weighted expected term	5 years	5 years

According to the valuation, the values of the respective options granted during the year ended 31 March 2009 were as follows:

Date of grant	No. of options granted	Value per option
2 October 2008	10,000,000	HK$0.3405
20 January 2009	400,000	HK$0.2369

An amount of HK$1,751,000 was recognized in the consolidated income statement for the year ended 31 March 2009 in respect of the value of the options granted during the year.

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

Details of the 2000 Share Option Scheme and the 2007 Share Option Scheme of the Company are also set out in the note 31 to the Financial Statements.

(b) Share Option Schemes of the Subsidiaries

2002 ADPDL Share Option Scheme

On 31 July 2002, Apple Daily Publication Development Limited ("ADPDL"), a subsidiary of the Company (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").

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 ADPDL Share Option Scheme was terminated by the shareholders of ADPDL and the shareholders of the Company. However, the options granted under the 2002 ADPDL Share Option Scheme that remained unexpired shall continue to be exercisable in accordance with their terms of issue. Key terms of the 2002 ADPDL Share Option Scheme are summarized below:

1. The purpose of the 2002 ADPDL Share Option Scheme is to provide participants with the opportunity to acquire proprietary interests in the ADPDL and to encourage participants to work towards enhancing the value of the ADPDL and its shares for the benefit of the ADPDL and its shareholders as a whole.

2. The participants of the 2002 ADPDL Share Option Scheme include any of the full-time employees and directors of ADPDL 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 ADPDL and for so long as ADPDL 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 ADPDL 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 ADPDL or its intermediate holding company or such company holding the business conducted or to be conducted by ADPDL 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 ADPDL.

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 ADPDL Share Option Scheme and (ii) the nominal value of a share of ADPDL. 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 ADPDL Share Option Scheme and (iii) the nominal value of a share of ADPDL.

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 ADPDL on the Adoption Date (the "Scheme Mandate Limit"). Options lapsed in accordance with the terms of ADPDL Share Option Scheme 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 ADPDL and for so long as ADPDL 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 ADPDL Share Option Scheme, before the Listing and subject to the participant having fulfilled the terms and conditions of the option, ADPDL shall redeem the option at a cash consideration being not more than five times the "Latest Earnings Per Share" as defined in the 2002 ADPDL Share Option Scheme.

9. The tables below set out the movements of the share options under the 2002 ADPDL Share Option Scheme during the year:

Name or category of participant	Date of grant	Exercise price per share	Exercisable period	Balance as at 01.04.2008	Cancelled during the year	Outstanding as at 31.03.2009
Director						
Ip Yut Kin	26.01.2004	Refer to above (6)	Not yet determined	50,000	(50,000)	—
	11.01.2006	Refer to above (6)	Not yet determined	50,000	(50,000)	—
In aggregate and total outstanding				100,000	(100,000)	—

During the year ended 31 March 2009, no options were exercised or lapsed under the 2002 ADPDL Share Option Scheme.

Details of the 2002 ADPDL Share Option Scheme are also set out in note 31 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
Next Media Publishing Limited (“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 each 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	Balance as at 01.04.2008	Granted during the year	Exercised during the year	Outstanding as at 31.03.2009
Directors							
Ting Ka Yu, Stephen	25.08.2008	HK$0.01	09.09.2008–23.09.2008	–	8,344	(8,344)	–
Ip Yut Kin	25.08.2008	HK$0.01	09.09.2008–23.09.2008	–	100,000	(100,000)	–
In aggregate and total outstanding				–	108,344	(108,344)	–

2008 ACIL Share Option Scheme

Name or category of participant	Date of grant	Exercise price per share	Exercisable period	Balance as at 01.04.2008	Granted during the year	Exercised during the year	Outstanding as at 31.03.2009
Employees							
In aggregate	01.04.2008	Refer to above (6)	Not yet determined	–	60,000	–	60,000
In aggregate and total outstanding				–	60,000	–	60,000

Save for the above movements in the 2007 ADPDL Share Option Scheme and 2008 ACIL Share Option Scheme, no options were granted, exercised, lapsed or cancelled under the other Subsidiary Share Option Schemes during the year ended 31 March 2009.

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 the 2008 ACIL Share Option Scheme during the year ended 31 March 2009. 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:

	2007 ADPDL Share Option Scheme	2008 ACIL Share Option Scheme
Risk free rate	0.940% per annum	2.016% per annum
Expected volatility	43.93% per annum	39.94% per annum
Expected dividend yield	0% per annum	0% per annum
Weighted expected term	0.0822 year	5 years

According to the valuation, the values of the respective options granted during the year ended 31 March 2009 were as follows:

	2007 ADPDL Share Option Scheme	2008 ACIL Share Option Scheme
No. of options granted	108,344	60,000
Value per option	HK$38.29	HK$0.004

A total amount of HK$4,150,000 was therefore recognized in the consolidated income statement for the year ended 31 March 2009 in respect of the value of the options granted during the year for ADPDL and ACIL.

In calculating the fair value of the options granted under the 2007 ADPDL Share Option Scheme and the 2008 ACIL Share Option Scheme during the year, no allowance has been made for forfeiture prior to vesting. It should be noted that the value of an option under each grant varies with different variables of certain subjective assumptions; and change in variables so adopted may materially affect the fair value estimate.

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 per Share which shall not represent a discount of 20% or more to the higher of:

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

   (b) the average closing price of the Share on the five trading days immediately prior to the invitation date, being the date of the announcement to be made on each 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	Balance as at 01.04.2008	Lapsed during the year	Balance as at 31.03.2008
Directors						
Ting Ka Yu, Stephen	08.11.2007	HK$2.12	09.11.2008–07.11.2012	1,194,000	—	1,194,000
Ip Yut Kin	08.11.2007	HK$2.12	09.11.2008–07.11.2012	1,060,000	—	1,060,000
Employees						
In aggregate	08.11.2007	HK$2.12	09.11.2008–07.11.2012	43,828,000 (Note)	(610,000)	43,218,000
	25.02.2008	HK$2.49	26.02.2009–24.02.2013	1,000,000	—	1,000,000
Total outstanding				47,082,000	(610,000)	46,472,000

Note: Mr. Tung Chuen Cheuk resigned as a Director of the Company on 17 March 2009, but remains as an employee of the Group. As such, the invitation issued to him for subscription of 1,650,000 Shares in the Company has been included under the category of employees.

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

During the year ended 31 March 2009, no invitation for subscription under the Plan were exercised, issued and cancelled.

DIRECTORS

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

Executive Directors:

Mr. Lai Chee Ying, Jimmy (Chairman) ("Mr. Lai")
Mr. Chu Wah Hui (Chief Executive Officer, appointed on 2 October 2008)
Mr. Ting Ka Yu, Stephen (Chief Operating Officer and Chief Financial Officer)
Mr. Ip Yut Kin
Mr. Tung Chuen Cheuk (resigned on 17 March 2009)

Non-executive Director:

Mr. Cheung Ka Sing, Cassian (appointed on 24 November 2008)

Independent Non-executive Directors:

Mr. V-Nee Yeh (resigned on 20 January 2009)
Mr. Fok Kwong Hang, Terry
Dr. Kao Kuen, Charles (resigned on 30 January 2009)
Mr. Wong Chi Hong, Frank (appointed on 30 January 2009)
Dr. Lee Ka Yam, Danny (appointed on 9 March 2009)

Pursuant to Articles 84 and 85 of the Company's Articles of Association, at every annual general meeting of the Company, one-third of the relevant number of Directors or, if their number is not a multiple of three, then the number nearest to but not exceeding one-third, shall retire from office. Accordingly, Mr. Ip Yut Kin will retire at the forthcoming annual general meeting of the Company and being eligible, offer himself for re-election.

Further pursuant to Article 79 of the Company's Articles of Association, any Director so appointed by the Board during the year to fill a causal vacancy or as an addition to the existing Board shall hold office until the next following annual general meeting and shall then be eligible for re-election but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at such meeting. Accordingly, Mr. Chu Wah Hui, Mr. Cheung Ka Sing, Cassian, Mr. Wong Chi Hong, Frank and Dr. Lee Ka Yam, Danny will retire from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

The biographical details of the current Directors as at the date of this report are set out on pages 53 to 54. Details of Directors' emoluments are provided under note 12 to the Financial Statements.

DIRECTORS' SERVICE CONTRACTS

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

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

As at 31 March 2009, 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	74.04
Mr. Chu Wah Hui	20,000	10,000	–	–	10,000,000 (Note 1)	10,030,000	0.42
Mr. Ting Ka Yu, Stephen	90,314	–	–	–	1,618,000 (Note 2)	2,902,314	0.12
					1,194,000 (Note 3)		
Mr. Ip Yut Kin	10,200,377	2,630,000	–	–	1,060,000 (Note 3)	13,890,377	0.58
Mr. Cheung Ka Sing, Cassian	172,000	–	–	–	–	172,000	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	108,344 (Note 4)	–	–	–	–	108,344	1.00
Mr. Ip Yut Kin	200,000 (Note 4)	–	–	–	–	200,000	1.85

Notes:

(1) These interests represented the share options granted by the Company under its 2007 Share Option Scheme to the Director as beneficial owners, the details of which are set out in the Section headed "Share Options". Further options representing the rights to subscribe for a total of 40,000,000 Shares would be granted to the Director under the 2007 Share Option Scheme in four tranches, each representing 10,000,000 Shares, over a period of four years pursuant to the terms of the employment agreement entered into between the Director and a wholly-owned subsidiary of the Company dated 22 September 2008 provided that the Director stays within the employment of the Group at the relevant time.

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

(3) 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".

(4) 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".

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 2009.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at 31 March 2009, 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)	74.04

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 2009.

CONNECTED TRANSACTION

On 26 March 2009, Amazing Sino International Limited ("Amazing Sino"), an indirect wholly-owned subsidiary of the Company, purchased 54,172 ordinary shares in ADPDL, a 92.44% indirect non-wholly owned subsidiary of the Company, from Mr. Tung Chuen Cheuk ("Mr. Tung"). Mr. Tung, being an ex-director of both the Company and ADPDL, was regarded as a connected person of the Company. As such, the acquisition of ADPDL shares by Amazing Sino constituted a connected transaction for the Company.

The total consideration paid by Amazing Sino to Mr. Tung was HK$4,724,000. Based on the transaction amount, the connected transaction was only subject to the announcement and reporting requirements under Chapter 14A of the Listing Rules and is exempted from the independent shareholders' approval requirement.

The directors (including the independent non-executive directors) considered that the terms of the sale and purchase were fair and reasonable and were arrived at after arm's length negotiation and further that the acquisition was on normal commercial terms and in the interest of the Company and its shareholders as a whole.

An announcement containing details of the connected transaction was made by the Company on 26 March 2009.

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 5 June 2009, 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 2009 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 2009.

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

RETIREMENT BENEFITS PLANS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

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

AUDITOR

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 auditor, Messrs. Deloitte Touche Tohmatsu.

On behalf of the Board
Jimmy Lai
Chairman

Hong Kong, 5 June 2009

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 86 to 175, which comprise the consolidated balance sheet and Company balance sheet as at 31 March 2009, and the consolidated income statement, consolidated statement of changes in equity and 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 2009 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
5 June 2009

Consolidated Income Statement

For the year ended 31 March 2009

	NOTES	2009 HK$'000	2008 HK$'000
Revenue	7	**3,291,501**	3,483,794
Production costs			
Cost of raw materials consumed		**(1,346,719)**	(1,267,005)
Other overheads		**(163,095)**	(157,100)
Staff costs		**(695,770)**	(663,739)
Personnel costs excluding direct production staff costs		**(454,511)**	(446,812)
Other income	7	**60,381**	77,815
Depreciation of property, plant and equipment		**(133,194)**	(135,304)
Release of prepaid lease payments to consolidated income statement		**(1,797)**	(1,797)
Other expenses		**(233,897)**	(254,404)
Finance costs	9	**(10,417)**	(16,524)
Profit before tax		**312,482**	618,924
Income tax expense	10	**(54,998)**	(97,601)
Profit for the year	11	**257,484**	521,323
Attributable to:			
Equity holders of the parent		**257,484**	521,323
Minority interests		**—**	—
		257,484	521,323
Dividends	14		
Interim dividend paid of — Nil (2008: HK5.0 cents for 2007/2008) per ordinary share		**—**	120,591
Final dividend paid for 2007/2008 of HK9.0 cents (2008: HK8.5 cents for 2006/2007) per ordinary share		**217,125**	205,005
Special dividend paid for 2007/2008 of HK10.0 cents (2008: HK9.0 cents for 2006/2007) per ordinary share		**241,250**	217,065
		458,375	542,661
Earnings per share	16		
— Basic		**HK11 cents**	HK22 cents
— Diluted		**HK11 cents**	HK22 cents

Consolidated Balance Sheet

At 31 March 2009

	NOTES	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Intangible assets	17	**1,300,881**	1,300,881
Property, plant and equipment	19	**1,404,015**	1,576,617
Prepaid lease payments	20	**66,947**	68,744
Deposit for acquisition of property, plant and equipment		**3,554**	1,594
		2,775,397	2,947,836
CURRENT ASSETS			
Inventories	22	**188,872**	189,091
Trade and other receivables	23	**456,319**	581,204
Prepaid lease payments	20	**1,797**	1,797
Derivative financial instruments	24	**27**	972
Tax recoverable		**10,102**	—
Restricted bank balances	25	**5,411**	5,411
Bank balances and cash	25	**895,372**	872,003
		1,557,900	1,650,478
CURRENT LIABILITIES			
Trade and other payables	26	**385,118**	462,966
Borrowings	27	**142,724**	76,805
Obligations under finance leases	28	**242**	914
Tax liabilities		**8,922**	27,253
		537,006	567,938
NET CURRENT ASSETS		**1,020,894**	1,082,540
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,796,291**	4,030,376

Consolidated Balance Sheet
At 31 March 2009

	NOTES	2009 HK$'000	2008 HK$'000
NON-CURRENT LIABILITIES			
Borrowings	27	**364,822**	288,018
Obligations under finance leases	28	**—**	54
Defined benefit plans obligations	29	**19,441**	20,207
Deferred tax liabilities	33	**294,610**	312,558
		678,873	620,837
NET ASSETS		**3,117,418**	3,409,539
CAPITAL AND RESERVES			
Share capital	30	**2,412,497**	2,411,829
Reserves		**704,878**	997,667
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**3,117,375**	3,409,496
MINORITY INTERESTS		**43**	43
TOTAL EQUITY		**3,117,418**	3,409,539

The consolidated financial statements on pages 86 to 175 were approved and authorised for issue by the Board of Directors on 5 June 2009 and are signed on its behalf by:

Chu Wah Hui
DIRECTOR

Ting Ka Yu, Stephen
DIRECTOR

Balance Sheet

At 31 March 2009

	NOTES	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	19	139,106	143,231
Prepaid lease payments	20	30,008	30,814
Interests in subsidiaries	21	2,636,228	2,629,151
		2,805,342	2,803,196
CURRENT ASSETS			
Other receivables	23	3,368	763
Prepaid lease payments	20	806	806
Amounts due from subsidiaries	21	879,173	801,544
Tax recoverable		691	—
Restricted bank balances	25	5,411	5,411
Bank balances and cash	25	62,464	239,861
		951,913	1,048,385
CURRENT LIABILITIES			
Other payables	26	7,882	8,327
Amounts due to subsidiaries	21	772	1,059
Financial guarantee contracts		4,192	255
		12,846	9,641
NET CURRENT ASSETS		939,067	1,038,744
TOTAL ASSETS LESS CURRENT LIABILITIES		3,744,409	3,841,940

Balance Sheet
At 31 March 2009

	NOTES	2009 HK$'000	2008 HK$'000
NON-CURRENT LIABILITY			
Deferred tax liabilities	33	12,300	8,567
NET ASSETS		3,732,109	3,833,373
CAPITAL AND RESERVES			
Share capital	30	2,412,497	2,411,829
Reserves	32	1,319,612	1,421,544
TOTAL EQUITY		3,732,109	3,833,373

Chu Wah Hui
DIRECTOR

Ting Ka Yu, Stephen
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 March 2009

	Attributable to equity holders of the parent								
	Share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Share based payment reserve HK$'000	Accumulated profits (losses) HK$'000	Total HK$'000	Share based payment reserve of subsidiaries HK$'000	Minority interests HK$'000	Total HK$'000
At 1 April 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
Recognition of equity-settled share based payment	–	–	–	21,427	–	21,427	2,113	–	23,540
Cancellation of share options	–	–	–	(2,995)	2,995	–	–	–	–
Exercise of share options	–	–	–	–	–	–	(2,113)	2,123	10
Minority shareholder's share of loss previously not recognised	–	–	–	–	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
Exchange differences arising on translation of foreign operations recognised directly in equity	–	–	(120,920)	–	–	(120,920)	–	–	(120,920)
Profit for the year	–	–	–	–	257,484	257,484	–	–	257,484
Total recognised income and expenses for the year	–	–	(120,920)	–	257,484	136,564	–	–	136,564
Recognition of equity-settled share based payment	–	–	–	24,424	–	24,424	4,150	–	28,574
Lapse of share options	–	–	–	(117)	117	–	–	–	–
Exercise of share options	668	448	–	–	–	1,116	(4,150)	4,150	1,116
Minority shareholder's share of loss previously not recognised	–	–	–	–	4,150	4,150	–	(4,150)	–
Dividends	–	–	–	–	(458,375)	(458,375)	–	–	(458,375)
At 31 March 2009	2,412,497	918,712	(79,955)	53,096	(186,975)	3,117,375	–	43	3,117,418

Consolidated Cash Flow Statement

For the year ended 31 March 2009

	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES		
Profit before tax	312,482	618,924
Adjustments for:		
Finance costs	10,417	16,524
(Reversal of) allowance for bad and doubtful debts	(12,481)	48,388
Depreciation of property, plant and equipment	133,194	135,304
Release of prepaid lease payments to consolidated income statement	1,797	1,797
Gain on disposal of property, plant and equipment	(1)	(164)
Decrease (increase) in fair value of derivative financial instruments	945	(226)
Share-based payment expense	28,574	23,540
Interest income	(7,096)	(24,575)
Operating cash flows before movements in working capital	467,831	819,512
(Increase) decrease in inventories	(8,507)	4,839
Decrease (increase) in trade and other receivables	104,628	(83,133)
Decrease in trade and other payables	(77,848)	(6,640)
(Decrease) increase in retirement benefits obligations	(766)	3,661
Net cash generated from operations	485,338	738,239
Income tax paid	(99,140)	(81,283)
NET CASH FROM OPERATING ACTIVITIES	386,198	656,956

	2009 HK$'000	2008 HK$'000
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(48,738)	(70,417)
Deposit paid for acquisition of property, plant and equipment	(3,554)	(1,594)
Interest received	7,096	24,575
Proceeds from disposal of property, plant and equipment	702	1,213
NET CASH USED IN INVESTING ACTIVITIES	(44,494)	(46,223)
FINANCING ACTIVITIES		
Dividend paid	(458,375)	(542,661)
Repayment of bank loans	(206,278)	(446,274)
Interest paid	(10,417)	(16,524)
Repayment of obligations under finance leases	(726)	(637)
New loans raised	379,936	384,026
Proceeds from exercise of share options	1,116	—
Capital contribution from minority shareholders	—	10
NET CASH USED IN FINANCING ACTIVITIES	(294,744)	(622,060)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	46,960	(11,327)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	872,003	862,283
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(23,591)	21,047
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	895,372	872,003

Notes to the Consolidated Financial Statements

For the year ended 31 March 2009

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 37.

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

In the current year, the Group and the Company have applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

Hong Kong Accounting Standard ("HKAS") 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) — Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC) — Int 12	Service Concession Arrangements
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

2. 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 and interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 1 (Revised)	Presentation of Financial Statements[3]
HKAS 23 (Revised)	Borrowing Costs[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[3]
HKAS 39 (Amendment)	Eligible hedged items[4]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[3]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[3]
HKFRS 3 (Revised)	Business Combinations[4]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[3]
HKFRS 8	Operating Segments[3]
HK(IFRIC) — Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[5]
HK(IFRIC) — Int 13	Customer Loyalty Programmes[6]
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate[3]
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation[7]
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners[4]
HK(IFRIC) — Int 18	Transfers of Assets from Customers[8]

[1] Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate
[3] Effective for annual periods beginning on or after 1 January 2009
[4] Effective for annual periods beginning on or after 1 July 2009
[5] Effective for annual periods ending on or after 30 June 2009
[6] Effective for annual periods beginning on or after 1 July 2008
[7] Effective for annual periods beginning on or after 1 October 2008
[8] Effective for transfers on or after 1 July 2009

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

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 April 2010. HKAS 27 (Revised) will affect the accounting treatment for certain changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group and the Company.

3. 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

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 balance sheet at cost less any identified impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Masthead and publishing rights

On initial recognition, intangible assets (masthead and publishing rights 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.

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. A reversal of an impairment loss is recognised as income immediately.

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

Depreciation is provided to write off the cost 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Prepaid lease payments

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

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation 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 consolidated income statement for the period except for exchange 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.

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Provisions

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

Employee benefits

(i) Employee leave entitlements

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

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

(ii) Profit sharing and bonus plans

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

(iii) Retirement benefits obligations

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

(iii) Retirement benefits obligations (continued)

The Group's contributions to the defined contribution retirement schemes and the mandatory provident fund scheme are charged as an expense when employees have rendered service entitling them to the contributions 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 and share subscription rights granted to employees of the Group

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 7 November 2002, no amount has been recognised in the consolidated financial statements.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

(iv) Share options and share subscription rights granted to employees of the Group (continued)

At each balance sheet date, the Group revises its estimates of the number of options and share subscription rights that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in consolidated income statement, with a corresponding adjustment to share based payment reserve.

At the time when the share options and share subscription rights are exercised, the amount previously recognised in share based payment reserve will be transferred to share premium. When the share options/share subscription rights are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share based payment 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.

3. 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 goodwill or 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 or 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 at 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.

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 and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

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 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 at 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 affected.

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.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments beyond the credit period of 7 to 120 days, observable changes in national or local economic conditions that correlate with default on receivables.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

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. When trade and other receivables, and amounts due from subsidiaries are considered uncollectible, they are written off against the allowance account. Changes in the carrying amount of the allowance account are recognised in consolidated income statement. 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity *(continued)*

Financial liabilities

Financial liabilities including borrowings, trade and other payables 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 contact at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity *(continued)*

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and 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.

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.

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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in note 3, 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 2009, the Group had estimated unused tax losses of approximately HK$1,002,145,000 (2008: HK$981,460,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$12,022,000 (2008: HK$38,067,000) of such losses. No deferred tax assets has been recognised on the tax losses of approximately HK$990,123,000 (2008: HK$943,393,000) 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 than expected, a further 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 2009, an amount of approximately HK$35,981,000 (2008: HK$47,239,000) has been provided for outstanding litigations. Details are set out in note 34.

Impairment loss of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows to determine the amount of impairment loss. The amount of the impairment loss is measured as the difference between the assets' carrying amount 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.

5. 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 27, and equity attributable to equity holders of the Company, comprising share capital, share premium and reserves.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

	2009 HK$'000	2008 HK$'000
THE GROUP		
Financial assets		
Loans and receivables at amortised cost (including cash and cash equivalents)	1,333,191	1,425,243
Fair value through profit or loss	27	972
Financial liabilities		
Liabilities at amortised cost	670,780	496,259

6. FINANCIAL INSTRUMENTS *(continued)*

6a. Categories of financial instruments *(continued)*

	2009 HK$'000	2008 HK$'000
THE COMPANY		
Financial assets		
Loans and receivables at amortised cost (including cash and cash equivalents)	947,716	1,047,579
Financial liabilities		
Liabilities at amortised cost	772	1,059
Financial guarantee contracts	4,192	255

6b. Financial risk management objectives and policies

The Group's and the Company's major financial instruments include borrowings, trade and other receivables, trade and other payables, bank balances and cash, 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 2% of the Group's sales are denominated in currencies other than the functional currency of the relevant group entities (i.e. Hong Kong Dollars) making the sale, whilst almost 50% of production costs are denominated in the relevant group entities' functional currency (i.e. Hong Kong Dollars).

6. FINANCIAL INSTRUMENTS *(continued)*

6b. Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

Currency risk (continued)

The Group requires all its group entity to use foreign exchange forward contracts to eliminate the currency exposures mainly for settlement of payables in case the currency exposure is significant. The foreign exchange forward contracts must be in the same currency as the hedged item.

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

	Liabilities		Assets	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
United States Dollar ("USD")	**91,977**	52,059	**11,657**	10,538
Pound Sterling ("GBP")	**—**	—	**223**	834
Australian Dollar ("AUD")	**—**	—	**1,027**	1,907
New Taiwan Dollar ("NTD") — inter-company balances	**14,556**	7,995	**1,687,888**	1,448,771

6. FINANCIAL INSTRUMENTS *(continued)*

6b. Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

Sensitivity analysis

The Group is mainly exposed to the GBP, AUD and NTD 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 outstanding foreign currency denominated monetary items, including balances with foreign operations within the Group and adjusts their translation at the year end for a 5% change in foreign currency rates. A negative number below indicates a decrease in profit/translation reserve 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/translation reserve, and the balances below would be positive.

	NTD Impact		GBP Impact		AUD Impact	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Decrease in profit/ translation reserve	**(83,667)**	(72,039)	**(11)**	(42)	**(51)**	(95)

The Group's sensitivity to foreign currency has increased during the current year mainly due to increase in NTD denominated receivables as at year end 31 March 2009.

6. FINANCIAL INSTRUMENTS *(continued)*

6b. Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

Cash flow interest rate risk

The Group's cash flow interest rate risk relates primarily to variable-rate bank borrowings (see note 27 for details of these borrowings). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the cash flow 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 Hong Kong Interbank Offered Rate and a base rate of 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.

Fair value interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank deposits (see note 25 for details).

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to market interest rates for bank borrowings 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.

If the 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$2,538,000 for the year ended 31 March 2009 (2008: HK$1,824,000), respectively.

6. FINANCIAL INSTRUMENTS *(continued)*

6b. Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

Other price risk

The Group is exposed to other price risk through its investments in structured foreign currency forward contracts. The directors considered that the Group's exposure to other price risk is insignificant.

Credit risk

The Company

As at 31 March 2009, 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 34(c).

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

The Group

As at 31 March 2009, 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 is represented by the carrying amount of the respective recognised financial assets as stated in the Group's consolidated balance sheet.

6. FINANCIAL INSTRUMENTS *(continued)*

6b. Financial risk management objectives and policies *(continued)*

Credit risk *(continued)*

The Group (continued)

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 and other receivables 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 2009, the Group has total available unutilised overdraft and short-term bank loan facilities of approximately HK$515,027,000 (2008: HK$436,456,000).

6. FINANCIAL INSTRUMENTS *(continued)*

6b. Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

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.

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$'000	Carrying amount at 31 March 2009 HK$'000
2009							
Non-derivative financial liabilities							
Trade and other payables	–	110,146	42,953	9,893	–	162,992	162,992
Borrowings	2.4	12,909	25,818	116,179	380,941	535,847	507,546
Obligations under finance lease	5.2	63	188	–	–	251	242
		123,118	68,959	126,072	380,941	699,090	670,780

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$'000	Carrying amount at 31 March 2009 HK$'000
2009							
Non-derivative financial liabilities							
Amounts due to subsidiaries	–	772	–	–	–	772	772

6. FINANCIAL INSTRUMENTS *(continued)*

6b. 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$'000	Carrying amount at 31 March 2008 HK$'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

6. FINANCIAL INSTRUMENTS *(continued)*

6c. Fair value

- the fair value of derivative financial instruments with standard terms and conditions are determined with reference to the prevailing rate of relevant foreign currency.
- the fair value of other 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.

7. REVENUE AND OTHER INCOME

The Group is engaged in the publication of newspapers, books and magazines, the sales of advertising space in newspapers, books and magazines, the provision of printing and reprographic services, the 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:

	2009 HK$'000	2008 HK$'000
Revenue		
Sales of newspapers	**798,951**	793,283
Sales of books and magazines	**276,792**	266,582
Newspapers advertising income	**1,308,141**	1,490,512
Books and magazines advertising income	**606,382**	606,123
Printing and reprographic services income	**256,636**	287,856
Internet advertising income, internet subscription and content provision ("Internet businesses")	**44,599**	39,438
	3,291,501	3,483,794
Other income		
Sales of waste materials	**23,605**	24,748
Interest income on bank deposits	**7,096**	24,575
Rental income	**1,686**	1,529
Net exchange gain	**16,685**	20,309
Others	**11,309**	6,654
	60,381	77,815

8. BUSINESS AND GEOGRAPHICAL SEGMENTS

The Group's primary format for reporting segment information is business segments. The Group's major business segments and their corresponding regions of operations are summarised below:

Business segments	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.

8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Analysis of business segment results for the year ended 31 March 2009

	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	2,227,226	883,175	136,501	44,599	—	3,291,501
Inter-segment sales	1,985	401	172,664	107	(175,157)	—
	2,229,211	883,576	309,165	44,706	(175,157)	3,291,501
Segment results	226,913	131,576	48,832	(62,241)	—	345,080
Unallocated expenses						(42,272)
Unallocated income						20,091
Finance costs						(10,417)
Profit before tax						312,482
Income tax expense						(54,998)
Profit for the year						257,484
CONSOLIDATED BALANCE SHEET						
Segment assets	2,598,209	513,190	262,604	45,040	—	3,419,043
Unallocated assets						914,254
Total assets						4,333,297
Segment liabilities	(244,319)	(99,918)	(36,481)	(13,338)	—	(394,056)
Unallocated liabilities						(821,823)
Total liabilities						(1,215,879)

8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Analysis of business segment results for the year ended 31 March 2009 *(continued)*

	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	(6,290)	(7,815)	(17,801)	(18,426)	–	(50,332)
Depreciation of property, plant and equipment	(96,384)	(10,220)	(14,161)	(12,429)	–	(133,194)
Release of prepaid lease payments to consolidated income statement	(991)	–	(806)	–	–	(1,797)
Reversal of (allowance for) bad and doubtful debts	10,721	3,363	(1,320)	(283)	–	12,481
Share-based payment expense	(4,150)	–	–	–	(24,424)	(28,574)
Gain (loss) on disposal of property, plant and equipment	215	131	(344)	(1)	–	1

8. 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	269,219	40,180	–	3,720,137
Unallocated assets						878,177
Total assets						4,598,314
Segment liabilities	(277,100)	(140,237)	(41,240)	(13,651)	–	(472,228)
Unallocated liabilities						(716,547)
Total liabilities						(1,188,775)

8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Analysis of business segment results for the year ended 31 March 2008 *(continued)*

	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

8. 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:

	2009 HK$'000	2008 HK$'000
Hong Kong	**1,885,194**	1,968,373
Taiwan	**1,319,934**	1,440,064
North America	**41,844**	39,453
Europe	**30,043**	22,142
Australasia	**13,035**	10,890
Others	**1,451**	2,872
	3,291,501	3,483,794

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:

	2009		2008	
	Segment assets HK$'000	Capital expenditure HK$'000	Segment assets HK$'000	Capital expenditure HK$'000
Hong Kong	**2,359,202**	**28,472**	2,455,784	48,388
Taiwan	**1,056,133**	**21,826**	1,260,455	27,452
North America	**3,708**	**34**	3,898	19
	3,419,043	**50,332**	3,720,137	75,859

9. FINANCE COSTS

	2009 HK$'000	2008 HK$'000
Interest expenses on bank borrowings wholly repayable within five years	10,330	16,472
Interest expense on finance lease	87	52
	10,417	16,524

10. INCOME TAX EXPENSE

	2009 HK$'000	2008 HK$'000
Current tax:		
Hong Kong	54,392	72,967
Taiwan	10,884	8,775
Other jurisdictions	(530)	38
Underprovision in prior years	8,200	4,136
	72,946	85,916
Deferred tax (note 33):		
Current year	(87)	11,685
Attributable to change in tax rate	(17,861)	—
	(17,948)	11,685
	54,998	97,601

10. INCOME TAX EXPENSE *(continued)*

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2008: 17.5%) of the estimated assessable profit for the year.

Taiwan Profits Tax is calculated at 25% (2008: 25%) 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:

	2009 HK$'000	2008 HK$'000
Profit before tax	**312,482**	618,924
Tax at Hong Kong Profits Tax rate of 16.5% (2008: 17.5%)	**51,560**	108,311
Tax effect of expenses not deductible for tax purpose	**7,980**	5,048
Tax effect of income not taxable for tax purpose	**(6,631)**	(4,917)
Underprovision in prior years	**8,200**	4,136
Tax effect of tax losses not recognised	**14,351**	9,956
Utilisation of tax losses previously not recognised	**(6,575)**	(25,895)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**3,974**	962
Tax effect of change in tax rate	**(17,861)**	–
Tax charge for the year	**54,998**	97,601

11. PROFIT FOR THE YEAR

	2009 HK$'000	2008 HK$'000
Profit for the year has been arrived at after charging (crediting):		
(Reversal of) allowance for bad and doubtful debts	(12,481)	48,388
Auditor's remuneration	2,396	2,212
Costs of inventories consumed in production	1,346,719	1,267,005
Operating lease expenses on:		
Properties	6,993	6,848
Plant and equipment	13,004	13,384
Provision for (reversal of provision for) legal and professional fees (net of reversal of HK$14,303,000 (2008: HK$38,211,000) which included in other expenses)	13,840	(18,166)
Staff costs (note 15)	1,150,281	1,110,551
Gain on disposal of property, plant and equipment	(1)	(164)
Decrease (increase) in fair value of derivative financial instruments	945	(226)

12. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the 11 (2008: 7) Directors were as follows:

2009

	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$'000	Chu Wah Hui HK$'000	Cheung Ka Sing, Cassian HK$'000	Wong Chi Hong, Frank HK$'000	Lee Ka Yam, Danny HK$'000	Total HK$'000
Fees	200	230	200	230	300	300	300	100	70	50	19	1,999
Other emoluments												
Salaries and other benefits	4,096	2,629	2,706	4,061	–	–	–	1,744	–	–	–	15,236
Performance related incentive payments (Note)	–	830	164	1,147	–	–	–	34	–	–	–	2,175
Share based payment	–	776	4,235	1,153	–	–	–	1,695	–	–	–	7,859
Pension costs – defined contribution plans	–	111	98	9	–	–	–	62	–	–	–	280
Long service payment	–	–	–	155	–	–	–	–	–	–	–	155
Total emoluments	4,296	4,576	7,403	6,755	300	300	300	3,635	70	50	19	27,704

12. DIRECTORS' EMOLUMENTS *(continued)*

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

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$3,148,000 (2008: HK$3,005,000) paid by the Group under two operating leases in respect of residential accommodation provided to an Executive Director.

During the years ended 31 March 2009 and 2008, no Director waived or agreed to waive any emoluments.

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, five (2008: four) were Directors of the Company whose emoluments are included in the disclosure in note 12 above. The emoluments of the remaining individual for the year ended 31 March 2008 were as follows:

	2009 HK$'000	2008 HK$'000
Salaries and other benefits	—	2,992
Pension costs — defined contribution plan	—	105
	—	3,097

14. DIVIDENDS

Dividends recognised as distribution during the year:

	2009 HK$'000	2008 HK$'000
Ordinary shares:		
Interim dividend, paid — Nil (2008: HK5.0 cents for 2007/2008) per share	—	120,591
Final dividend, paid for 2007/2008 — HK9.0 cents (2008: HK8.5 cents for 2006/2007) per share	217,125	205,005
Special dividend, paid for 2007/2008 — HK10.0 cents (2008: HK9.0 cents for 2006/2007) per share	241,250	217,065
	458,375	542,661

The Directors have resolved not to recommend the payment of a final dividend for the year.

15. STAFF COSTS

	2009 HK$'000	2008 HK$'000
Wages, salaries and other benefits	1,072,624	1,042,283
Pension costs — defined contribution plans, net of forfeited contributions (note 29(a) and (b))	47,351	43,283
Pension costs — defined benefits plans (note 29(c))	1,732	1,445
Share based payment	28,574	23,540
	1,150,281	1,110,551

The staff costs for the year ended 31 March 2009 included Directors' emoluments of HK$27,704,000 (2008: HK$19,612,000) as set out in note 12.

16. EARNINGS PER SHARE

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

Earnings

	2009 HK$'000	2008 HK$'000
Profit for the year attributable to equity holders of the parent for the purposes of basic and diluted earnings per share	257,484	521,323

Number of shares

	2009	2008
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,412,357,791	2,411,828,881
Effect of dilutive potential ordinary shares:		
Share options and share subscription plan	292,982	4,817,985
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,412,650,773	2,416,646,866

17. INTANGIBLE ASSETS

	Masthead and publishing rights HK$'000
THE GROUP	
COST	
At 1 April 2007, 31 March 2008 and 31 March 2009	1,482,799
ACCUMULATED IMPAIRMENT	
At 1 April 2007, 31 March 2008 and 31 March 2009	181,918
CARRYING VALUES	
At 31 March 2009 and 31 March 2008	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 to the Group 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 18.

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

As explained in note 8, the Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, masthead and publishing rights with indefinite useful lives set out in note 17 have been allocated to two individual CGUs, 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	
	2009 HK$'000	2008 HK$'000
Newspaper publication and printing — Apple Daily I.P. Limited	**1,020,299**	1,020,299
Books and magazines publication — Next Media I.P. Limited	**280,582**	280,582
	1,300,881	1,300,881

The recoverable amounts of masthead and publishing rights have been determined on the basis of value in use calculations. Their recoverable amounts are based on certain similar key assumptions. Value in use calculations use cash flow projections based on financial budgets approved by management covering a 5-year period with an annual growth rate of 2% (2008: 3%) for books and magazines publication and 3% (2008: 3%) for newspaper publication and printing, and a pre-tax discount rate of 12.0% (2008: 11.4%). Cash flow projections beyond the 5-year period are extrapolated using a steady 2% to 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. Budgeted gross margins 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 carrying amount of each CGU to exceed the recoverable amount of the relevant CGUs.

19. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
THE GROUP						
COST						
At 1 April 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
Exchange difference	(48,679)	(3,233)	(56,383)	(18,384)	(226)	(126,905)
Additions	—	5,242	14,449	28,294	2,347	50,332
Disposals	—	(642)	(87,377)	(10,263)	(602)	(98,884)
At 31 March 2009	831,757	69,241	1,151,308	283,027	8,408	2,343,741
ACCUMULATED DEPRECIATION						
At 1 April 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
Eliminated on 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
Exchange difference	(1,544)	(674)	(19,121)	(16,460)	(67)	(37,866)
Charge for the year	14,510	4,566	82,548	30,466	1,104	133,194
Eliminated on disposals	—	(271)	(87,377)	(9,957)	(578)	(98,183)
At 31 March 2009	63,959	26,797	614,505	230,440	4,025	939,726
CARRYING VALUES						
At 31 March 2009	767,798	42,444	536,803	52,587	4,383	1,404,015
At 31 March 2008	829,443	44,698	642,164	56,989	3,323	1,576,617

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

	Buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
THE COMPANY				
COST				
At 1 April 2007	145,032	13,469	6	158,507
Additions	—	1,446	—	1,446
At 31 March 2008	145,032	14,915	6	159,953
Additions	—	10	—	10
At 31 March 2009	145,032	14,925	6	159,963
ACCUMULATED DEPRECIATION				
At 1 April 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
Charge for the year	3,353	781	1	4,135
At 31 March 2009	16,786	4,068	3	20,857
CARRYING VALUES				
At 31 March 2009	128,246	10,857	3	139,106
At 31 March 2008	131,599	11,628	4	143,231

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

As at 31 March 2009, the carrying value of the Group's and the Company's land and buildings comprised the following:

	2009		2008	
	THE GROUP HK$'000	THE COMPANY HK$'000	THE GROUP HK$'000	THE COMPANY HK$'000
Buildings situated in Hong Kong under medium lease	378,905	128,246	388,792	131,599
Buildings situated outside Hong Kong on freehold land	188,969	–	216,671	–
Freehold land situated outside Hong Kong	199,924	–	223,980	–
	767,798	128,246	829,443	131,599

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 2009, certain of the Group's freehold land and buildings with a total carrying value of HK$379,462,000 (2008: HK$429,864,000) were pledged as security for the Group's banking facilities (note 27).

(b) At 31 March, 2009, certain plant and machinery with an aggregate carrying value of HK$287,476,000 (2008: HK$313,129,000) were pledged as security for the Group's banking facilities (note 27).

(c) At 31 March 2009, certain of the Group's furniture, fixtures and equipment with a total carrying value of HK$58,000 (2008: HK$755,000) were under finance lease obligation.

20. PREPAID LEASE PAYMENTS

	THE GROUP		THE COMPANY	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
The prepaid lease payments comprise of medium-term leasehold land in Hong Kong	68,744	70,541	30,814	31,620
Analysed of reporting purposes as:				
Current asset	1,797	1,797	806	806
Non-current asset	66,947	68,744	30,008	30,814
	68,744	70,541	30,814	31,620

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

	THE COMPANY	
	2009 HK$'000	2008 HK$'000
Unlisted shares, at cost less allowance	2,620,000	2,620,000
Deemed capital contribution (Note)	16,228	9,151
	2,636,228	2,629,151
Amounts due from subsidiaries	1,567,208	1,509,714
Less: allowance for amounts due from subsidiaries	(688,035)	(708,170)
	879,173	801,544
Amounts due to subsidiaries	(772)	(1,059)

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

Movement in the allowance for amounts due from subsidiaries

	2009 HK$'000	2008 HK$'000
Balance at beginning of the year	708,170	708,170
Reversal of impairment losses recognised on receivables	(20,135)	–
Balance at end of the year	688,035	708,170

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

As at 31 March 2009, all balances with subsidiaries are unsecured, interest free and repayable on demand.

Particulars of the Company's principal subsidiaries at 31 March 2009 are set out in note 37.

22. INVENTORIES

	THE GROUP	
	2009 HK$'000	2008 HK$'000
Raw materials	185,352	185,911
Work in progress	2,216	2,445
Finished goods	1,304	735
	188,872	189,091

23. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Trade receivables	482,316	621,517	–	–
Less: allowance for doubtful debts	(79,753)	(98,972)	–	–
	402,563	522,545	–	–
Prepayments	13,981	15,058	–	–
Rental and other deposits	9,930	18,317	–	–
Others	29,845	25,284	3,368	763
Trade and other receivables	456,319	581,204	3,368	763

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:

	2009 HK$'000	2008 HK$'000
0–1 month	178,475	267,343
1–3 months	186,631	239,853
3–4 months	26,854	12,233
Over 4 months	10,603	3,116
	402,563	522,545

Before accepting any new customer, the management of the Group estimate the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed twice a year. Trade receivables that are neither past due nor impaired have no default payment record.

23. TRADE AND OTHER RECEIVABLES *(continued)*

Included in the Group's trade receivable balances are debtors with an aggregate carrying amount of HK$10,603,000 (2008: HK$3,116,000) 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:

	2009 HK$'000	2008 HK$'000
Over 4 months	10,603	3,116

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 based on their settlement records.

Movement in the allowance for doubtful debts

	2009 HK$'000	2008 HK$'000
Balance at beginning of the year	98,972	52,207
(Reversal of) allowance for bad and doubtful debts	(12,481)	48,388
Exchange difference	(4,873)	3,876
Amounts written off as uncollectible	(1,865)	(5,499)
Balance at end of the year	79,753	98,972

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$79,753,000 (2008: HK$98,972,000) which have delayed payments with poor settlement record. The Group does not hold any collateral over these balances.

23. TRADE AND OTHER RECEIVABLES *(continued)*

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

	2009 Denominated currency '000	2009 Equivalent to HK$'000	2008 Denominated currency '000	2008 Equivalent to HK$'000
USD	1,501	11,657	1,353	10,538
GBP	20	223	54	834
AUD	199	1,027	268	1,907

24. DERIVATIVE FINANCIAL INSTRUMENTS

	THE GROUP 2009 Assets HK$'000	THE GROUP 2008 Assets HK$'000
Structured foreign currency forward contracts	27	972

Major terms of the structured foreign currency forward 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, determined on a monthly basis	22 February 2010	HK$7.69 to US$1

25. RESTRICTED BANK BALANCES/BANK BALANCES AND CASH

THE GROUP AND THE COMPANY

As at 31 March 2009, bank balances amounting to HK$5,411,000 (2008: 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 0.58% per annum.

Included in bank balances and cash was an amount of approximately HK$832,541,000 (2008: HK$846,604,000) placed in time deposits for periods from 1 day to 3 months. Such deposits bear fixed interest between 0.01% and 2.56% (2008: 0.425% and 2.75%) per annum.

The remaining bank balances placed in current and saving accounts, which the former bore no interest and the latter bore market rate at 0.1% (2008: 0.1%) per annum.

26. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Trade payables	162,992	130,468	—	—
Accrued charges (note)	222,126	332,498	7,882	8,327
Trade and other payables	385,118	462,966	7,882	8,327

Note: The accrued charges include an amount of HK$35,981,000 (2008: HK$47,239,000) as provision mainly for legal and professional expenses relating to a number of legal proceedings disclosed in note 34. Utilisation of such provision was amounting to HK$25,098,000 (2008: HK$19,833,000) during the year ended 31 March 2009.

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

	2009 HK$'000	2008 HK$'000
0–1 month	96,887	92,484
1–3 months	56,439	24,441
Over 3 months	9,666	13,543
	162,992	130,468

26. TRADE AND OTHER PAYABLES *(continued)*

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

	2009 Denominated currency '000	2008 Denominated currency '000
USD	11,853	6,687
Equivalent to	HK$91,977	HK$52,059

27. BORROWINGS

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

	2009 HK$'000	2008 HK$'000
Carrying amount repayable		
— within one year	142,724	76,805
— in the second year	142,724	76,805
— in the third year	140,055	76,805
— in the fourth year	82,043	76,805
— in the fifth year	—	57,603
	507,546	364,823
Less: Amount due within one year shown under current liabilities	(142,724)	(76,805)
Non-current portion	364,822	288,018

27. BORROWINGS *(continued)*

All bank loans are variable-rate borrowings which carry interests at Hong Kong Interbank Offered Rate plus 3% per annum, except for certain loans from banks in Taiwan amounted to HK$410,000,000 which carry interest at base rate of Commercial Paper 51328 plus 0.5% per annum (2008: base rate of Commercial Paper 51328 plus 0.65% per annum).

The weighted average effective interest rates (which are equal to contractual interest rates) of borrowings is 2.37%. (2008: 3.41%) per annum.

28. OBLIGATIONS UNDER FINANCE LEASES

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

	Minimum lease payments		Present value of minimum lease payments	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Amounts payable under finance leases				
Within one year	**251**	1,001	**242**	914
In more than one year but not more than two years	**—**	63	**—**	54
	251	1,064	**242**	968
Less: future finance charges	**(9)**	(96)	**N/A**	N/A
Present value of lease obligations	**242**	968	**242**	968
Less: Amount due for settlement with 12 months (shown under current liabilities)			**(242)**	(914)
Amount due for settlement after 12 months			**—**	54

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

29. RETIREMENT BENEFITS PLANS

	2009 HK$'000	2008 HK$'000
Obligations on:		
Pensions — defined contribution plans (notes (a) &(b))	2,942	3,184
Defined benefit plans obligations (note (c))	19,441	20,207
	22,383	23,391

Notes:

Hong Kong
Defined contribution plan

(a) The Group operates two (2008: two) Occupational Retirement Schemes Ordinance 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 to 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 2009, forfeited contributions totalling HK$495,000 were utilised during the year (2008: HK$866,000). At 31 March 2009 and 2008, the Group has no balance available to reduce future contributions in respect of the HK Schemes.

As at 31 March 2009, the Group had no contributions payable under the HK Schemes and the MPF Scheme (2008: Nil).

29. RETIREMENT BENEFITS PLANS *(continued)*

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 2009 and 31 March 2008.

As at 31 March 2009, the Group had contributions payable under the Taiwan defined contribution scheme totalling HK$2,942,000 (2008: HK$3,184,000) which is included in trade and other payables under current liabilities in the consolidated balance sheet.

Defined benefit plans

(c) The Group also operates three (2008: 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 2009, an actuarial valuations of plan assets and the present value of the defined benefits obligations were carried out and valued by a qualified actuary, ClientView Management Consulting Co., Ltd.,. The present value of the defined benefit obligation and the related current service cost were measured using the projected unit credit method.

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

	2009 %	2008 %
Discount rate	2.50	3.00
Expected rate of return on plan assets	2.50	2.50
Expected rate of future salary increases	3.00	3.00

The actuarial valuation showed that the market value of plan assets was HK$12,851,000 (2008: HK$13,806,000) and that the actuarial value of these assets represented 39.8% (2008: 40.6%) of the benefits that had accrued to members.

29. RETIREMENT BENEFITS PLANS *(continued)*

Taiwan *(continued)*

Defined benefit plans *(continued)*

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

	2009 HK$'000	2008 HK$'000
Current service cost and transitional liabilities	877	866
Interest on obligation	1,112	845
Expected return on plan assets	(366)	(331)
Actuarial losses recognised in the year	109	65
	1,732	1,445

Amounts included in staff costs in consolidated income statement.

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

	2009 HK$'000	2008 HK$'000
Present value of funded defined benefit obligations	44,019	39,287
Fair value of plan assets	(12,851)	(13,806)
	31,168	25,481
Net actuarial losses not recognised	(11,727)	(5,274)
Net liability arising from defined benefit obligation	19,441	20,207

29. RETIREMENT BENEFITS PLANS *(continued)*

Taiwan *(continued)*

Defined benefit plans *(continued)*

Movements in the present value of the defined benefit obligations in the current year were as follows:

	2009 HK$'000	2008 HK$'000
At 1 April	39,287	33,352
Current service cost	859	848
Interest cost	1,112	845
Actuarial losses	7,105	1,315
Exchange differences on foreign plans	(4,344)	2,927
At 31 March	44,019	39,287

Movements in the fair value of the plan assets in the current year were as follows:

	2009 HK$'000	2008 HK$'000
At 1 April	13,806	11,166
Expected return on plan assets	308	477
Exchange differences on foreign plans	(1,482)	941
Contributions from the employer	219	1,222
At 31 March	12,851	13,806

The major categories of plan assets, and the expected rate of return at the balance sheet date for each category, is as follows:

	Expected return		Fair value of plan assets	
	2009 %	2008 %	2009 HK$'000	2008 HK$'000
Equity instruments	3.69	2.68	1,727	3,209
Debt instruments	2.21	2.60	7,071	5,133
Bank deposit	2.50	2.30	4,053	5,464
Weighted average expected return	2.50	2.50	12,851	13,806

29. RETIREMENT BENEFITS PLANS *(continued)*

Taiwan *(continued)*

Defined benefit plans *(continued)*

The overall expected rate of return is a weighted average of the expected returns of the various categories of plan assets held. The directors' assessment of the expected returns is based on historical return trends and analysts' predictions of the market for the asset in the next twelve months.

The actual return on plan assets was HK$308,000 (2008: HK$477,000).

The plan assets include ordinary shares of the Company with a fair value of HK$19,441,000 (2008: HK$20,207,000).

The history of experience adjustments is as follows:

	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000
Present value of defined benefit obligation	(44,019)	(39,287)	(33,352)	(26,084)
Fair value of plan assets	12,851	13,806	11,166	10,849
Deficit	(31,168)	(25,481)	(22,186)	(15,235)

30. SHARE CAPITAL

	Authorised			
	2% convertible non-voting, non-cumulative, preference shares ("Preference shares")		Ordinary shares	
	No. of shares	HK$'000	No. of shares	HK$'000
Preference shares of HK$1.75 each and ordinary shares of HK$1.00 each				
At 1 April 2007	1,160,000,000	2,030,000	2,570,000,000	2,570,000
Alteration of the authorised share capital	(1,160,000,000)	(2,030,000)	2,030,000,000	2,030,000
At 31 March 2008 and 31 March 2009	—	—	4,600,000,000	4,600,000

30. SHARE CAPITAL *(continued)*

	Issued and fully paid			
	Preference shares		Ordinary shares	
	No. of shares	HK$'000	No. of shares	HK$'000
At 1 April 2007 and 31 March 2008	–	–	2,411,828,881	2,411,829
Exercise of share options	–	–	668,000	668
At 31 March 2009	–	–	2,412,496,881	2,412,497

	2009 HK$'000	2008 HK$'000
Total issued and fully paid share capital Ordinary shares of HK$1.00 each	**2,412,497**	2,411,829

31. SHARE OPTION SCHEMES

Share Option Schemes adopted by the Company

The Company's share option schemes (the Schemes) were adopted pursuant to resolutions passed on 29 December 2000 and 30 July 2007 for the primary purpose of providing incentives to directors and eligible employees. Under the Schemes, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

At 31 March 2009, the number of shares in respect of which options had been granted and remained outstanding under the Schemes was 33,524,000 (2008: 23,792,000), representing 1.39% (2008: 0.99%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Schemes is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options granted must be taken up within 14 days of the date of grant, upon payment of HK$10 in aggregate. Subject to the respective terms of issue, options may be exercised at any time from the date of grant of the share option to the expiry date. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

31. SHARE OPTION SCHEMES *(continued)*

(a) 2000 Share Option Scheme

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 01.04.2008	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Balance as at 31.03.2009
Director	18.03.2002	HK$1.670	28.12.2010	1,618,000	–	–	–	–	1,618,000
Employees	18.03.2002	HK$1.670	28.12.2010	1,324,000	–	(668,000)	–	–	656,000
	24.08.2005	HK$3.325	28.12.2010	1,000,000	–	–	–	–	1,000,000
	06.12.2006	HK$3.102	28.12.2010	17,850,000 (Note)	–	–	–	–	17,850,000
	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
				23,792,000	–	(668,000)	–	–	23,124,000

Note: Mr. Tung Chuen Cheuk resigned as a Director of the Company on 17 March 2009, but remain as an employee of the Group. As such, his 3,000,000 options entitlement has been included under the category of employees.

Exercisable at the end of the year						14,984,000
Weighted average exercise price	2.921	–	(1.670)	–	–	2.957

31. SHARE OPTION SCHEMES *(continued)*

(a) 2000 Share Option Scheme *(continued)*

				Number of options					
Category of grantee	Date of grant	Exercise price per share	Expiry date	Balance as at 01.04.2007	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									9,397,000
Weighted average exercise price				2.879	–	–	–	(2.600)	2.921

Share options were exercised on 16 June 2008. The weighted average closing price of the Company's share immediately before the date on which the share options were exercised and on the exercise date was HK$3.20.

31. SHARE OPTION SCHEMES *(continued)*

(a) 2000 Share Option Scheme *(continued)*

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

(b) 2007 Share Option Scheme

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.

Details of the terms and movements of the share options granted pursuant to the 2007 Option Scheme are as follows:

				Number of options					
Category of grantee	Date of grant	Exercise price per share	Expiry date	Balance as at 01.04.2008	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Balance as at 31.03.2009
Director	02.10.2008	HK$1.880	01.10.2013	–	10,000,000	–	–	–	10,000,000
Employees	20.01.2009	HK$1.000	04.01.2014	–	400,000	–	–	–	400,000
				–	10,400,000	–	–	–	10,400,000
Exercisable at the end of the year									–
Weighted average exercise price				–	1.846	–	–	–	1.846

31. SHARE OPTION SCHEMES *(continued)*

(b) 2007 Share Option Scheme *(continued)*

The options granted under the 2007 Share Option Scheme shall be fully vested on 1st anniversary of the date of grant.

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

During the year ended 31 March 2009, share options were granted on 2 October 2008 and 20 January 2009 respectively. The estimated fair values of the shares covered by the respective share options issued on those dates are HK$3,400,000 and HK$95,000.

These fair values were calculated by using the binominal model based on each tranche of the 2007 Share Option Scheme with reference to the vesting period respectively. The inputs into the model with different issue dates were as follows:

Grant date	2 October 2008	20 January 2009
Valuation date	2 October 2008	20 January 2009
Share price	HK$1.80	HK$1.00
Exercise price	HK$1.88	HK$0.87
Expected volatility	40% p.a.	45% p.a.
Risk-free rate	2.610% p.a.	1.166% p.a.
Expected dividend yield	9.0% p.a.	0% p.a. until 31.03.2010 and 4.5% p.a. thereafter
Exercisable period	2 to 5 years	2 to 5 years
Vesting period	1 year	1 year
Fair value per option	HK$0.3405	HK$0.2369

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 5 years.

31. SHARE OPTION SCHEMES *(continued)*

(c) 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 issued shares of the Company as at 8 November 2007.

				Number of subscription right					
Category of grantee	Date of grant	Subscription price per share	Expiry date	Balance as at 01.04.2008	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Balance as at 31.03.2009
Directors	08.11.2007	HK$2.12	07.11.2012	2,254,000	–	–	–	–	2,254,000
Employees	08.11.2007	HK$2.12	07.11.2012	43,828,000 (Note)	–	–	(610,000)	–	43,218,000
	25.02.2008	HK$2.49	24.02.2013	1,000,000	–	–	–	–	1,000,000
				47,082,000	–	–	(610,000)	–	46,472,000
Eligible for subscription at the end of the year									15,490,667
Weighted average subscription price				2.128	–	–	(2.120)	–	2.128

31. SHARE OPTION SCHEMES *(continued)*

(c) Share Subscription Plan adopted by the Company *(continued)*

Category of grantee	Date of grant	Subscription price per share	Expiry date	Number of subscription right: 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	08.11.2007	HK$2.12	07.11.2012	–	4,200,000	–	–	(296,000)	3,904,000
Employees	08.11.2007	HK$2.12	07.11.2012	–	42,178,000	–	–	–	42,178,000
	26.02.2008	HK$2.49	24.02.2013	–	1,000,000	–	–	–	1,000,000
				–	47,378,000	–	–	(296,000)	47,082,000
Eligible for subscription at the end of the year									–
Weighted average subscription price				–	2.128	–	–	(2.120)	2.128

Note: Mr. Tung Chuen Cheuk resigned as a Director of the Company on 17 March 2009 but remains as an employee of the Group. As such, the invitation issued to him for subscription of 1,650,000 shares in the Company has been included under the category of employees.

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

On 1st anniversary of the date of grant	$33\frac{1}{3}\%$ vest
On 2nd anniversary of the date of grant	Further $33\frac{1}{3}\%$ vest
On 3rd anniversary of the date of grant	Remaining $33\frac{1}{3}\%$ vest

No share invitations were issued under the Share Subscription Plan during the year.

31. SHARE OPTION SCHEMES *(continued)*

(c) Share Subscription Plan adopted by the Company *(continued)*

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
Subscription price	HK$2.12	HK$2.49
Expected volatility	40% p.a.	40% p.a.
Risk-free rate	2.96% p.a.	2.48% p.a.
Expected dividend yield	6.5% p.a.	6.5% p.a.
Exercisable period	2 to 4 years	2 to 4 years
Vesting period	3 years	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 12 years.

The Group and the Company recognised the total expense of HK$28,574,000 and HK$24,424,000, respectively, for the year ended 31 March 2009 (2008: HK$12,290,000 and HK$9,137,000) in relation to share options granted under the Share Option Schemes and share invitations issued under the Share Subscription Plan of the Company.

(d) 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 respective Subsidiaries' shares in issue from time to time.

31. SHARE OPTION SCHEMES *(continued)*

(d) Share option schemes adopted by certain subsidiaries *(continued)*

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. The number of shares which may be issued upon exercise of all outstanding options granted under the 2007 Subsidiary Share Option Schemes and any other share option scheme of the Subsidiaries is limited to 30% of the respective subsidiaries' shares in issue from time to time.

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. The number of shares which may be issued upon exercise of all outstanding options granted under the 2008 Subsidiary Share Option Schemes and any other share option scheme of the Subsidiaries is limited to 30% of the respective subsidiaries' shares in issue from time to time.

(i) *2002 Subsidiary Share Option Schemes*

Details of the terms and movements of the share options granted pursuant to the 2002 Subsidiary Share Option Schemes are as follows:

				Number of options					
Category of grantee	Date of grant	Exercise price per share	Expiry date	Balance as at 01.04.2008	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Balance as at 31.03.2009
ADPDL									
Directors	26.01.2004	Not yet determined	Not yet determined	50,000	–	–	–	(50,000)	–
	11.01.2006	Not yet determined	Not yet determined	50,000	–	–	–	(50,000)	–
				100,000	–	–	–	(100,000)	–
Exercisable at the end of the year									–

31. SHARE OPTION SCHEMES *(continued)*

(d) Share option schemes adopted by certain subsidiaries *(continued)*

(i) 2002 Subsidiary Share Option Schemes *(continued)*

				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
ADPDL									
Directors	22.01.2003	Not yet determined	Not yet determined	150,000	–	–	–	(150,000)	–
	26.03.2003	Not yet determined	Not yet determined	75,000	–	–	–	(75,000)	–
	26.01.2004	Not yet determined	Not yet determined	50,000	–	–	–	–	50,000
	11.01.2006	Not yet determined	Not yet determined	75,000	–	–	–	(25,000)	50,000
Employees	08.01.2003	Not yet determined	Not yet determined	205,000	–	–	–	(205,000)	–
	26.03.2003	Not yet determined	Not yet determined	50,000	–	–	–	(50,000)	–
	23.04.2003	Not yet determined	Not yet determined	50,000	–	–	–	(50,000)	–
	05.11.2003	Not yet determined	Not yet determined	25,000	–	–	–	(25,000)	–
	19.04.2004	Not yet determined	Not yet determined	50,000	–	–	–	(50,000)	–
	28.12.2005	Not yet determined	Not yet determined	40,000	–	–	–	(40,000)	–
				770,000	–	–	–	(670,000)	100,000
Exercisable at the end of the year									100,000
NMPL									
Employees	08.01.2003	Not yet determined	Not yet determined	75,000	–	–	(75,000)	–	–
	12.01.2004	Not yet determined	Not yet determined	100,000	–	–	–	(100,000)	–
	12.01.2004	Not yet determined	Not yet determined	175,000	–	–	–	(175,000)	–
				350,000	–	–	(75,000)	(275,000)	–
Exercisable at the end of the year									–

The options granted under the 2002 Subsidiary Share Option Schemes are vested immediately.

31. SHARE OPTION SCHEMES *(continued)*

(d) Share option schemes adopted by certain subsidiaries *(continued)*

(ii) 2007 Subsidiary Share Option Schemes

Details of the terms and movements of the share options granted pursuant to the 2007 Subsidiary Share Option Schemes are as follows:

				Number of options					
Category of grantee	Date of grant	Exercise price per share	Expiry date	Balance as at 01.04.2008	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Balance as at 31.03.2009
ADPDL									
Directors	25.08.2008	HK$0.01	23.09.2008	–	108,344	(108,344)	–	–	–

				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
ADPDL									
Directors	04.08.2007	HK$0.01	09.09.2007	–	250,000	(250,000)	–	–	–
	18.10.2007	HK$0.01	23.12.2007	–	4,172	(4,172)	–	–	–
Employees	04.08.2007	HK$0.01	09.09.2007	–	420,000	(420,000)	–	–	–
	18.10.2007	HK$0.01	23.12.2007	–	35,046	(35,046)	–	–	–
				–	709,218	(709,218)	–	–	–
NMPL									
Employees	04.08.2007	HK$0.01	09.09.2007	–	275,000	(275,000)	–	–	–
	18.10.2007	HK$0.01	23.12.2007	–	7,778	(7,778)	–	–	–
				–	282,778	(282,778)	–	–	–

The options granted under the 2007 Subsidiary Share Option Schemes are vested immediately.

31. SHARE OPTION SCHEMES *(continued)*

(d) Share option schemes adopted by certain subsidiaries *(continued)*

(iii) 2008 Subsidiary Share Option Schemes

Details of the terms and movements of the share options granted pursuant to the 2008 Subsidiary Share Option Schemes are as follows:

				Number of options					
Category of grantee	Date of grant	Exercise price per share	Expiry date	Balance as at 01.04.2008	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Balance as at 31.03.2009
ACIL									
Employees	01.04.2008	Not yet determined	Not yet determined	–	60,000	–	–	–	60,000
Exercisable at the end of the year									–
Weighted average exercise price				–	0.01	–	–	–	0.01

Save as disclosed above, no options were granted under the 2008 Subsidiary Share Option Schemes during the year.

The option granted under the 2008 Subsidiary Share Option Scheme of ACIL shall be fully vested on the 3rd anniversary of the date of grant.

ADPDL, NMPL and ACIL have used the Black-Scholes Model for assessing the fair value of the share options granted under the 2007 and 2008 Subsidiary Share Option Schemes during the year, and the Group recognised the total expense of HK$4,150,000 for the year ended 31 March 2009 (2008: HK$2,113,000) in relation to share options granted by the Subsidiaries.

31. SHARE OPTION SCHEMES *(continued)*

(d) Share option schemes adopted by certain subsidiaries *(continued)*

(iii) 2008 Subsidiary Share Option Schemes (continued)

Grant date	4 August 2007	4 August 2007	18 October 2007	18 October 2007	1 April 2008	25 August 2008
Subsidiary scheme	ADPDL	NMPL	ADPDL	NMPL	ACIL	ADPDL
Valuation date	4 August 2007	4 August 2007	18 October 2007	18 October 2007	1 April 2008	25 August 2008
Share price	HK$0.01	HK$0.01	HK$0.01	HK$0.01	HK$0.01	HK$38.30
Exercise price	HK$0.01	HK$0.01	HK$0.01	HK$0.01	HK$0.01	HK$0.01
Expected volatility	32.73% p.a.	32.73% p.a.	38.19% p.a.	38.19% p.a.	39.94% p.a.	43.93% p.a.
Risk-free rate	4.371% p.a.	4.371% p.a.	2.85% p.a.	2.85% p.a.	2.016% p.a.	0.94% p.a.
Expected dividend yield	0% p.a.	0% p.a.	0% p.a.	0% p.a.	0% p.a.	0% p.a.
Exercisable period	21 days	21 days	14 days	14 days	—	15 days
Vesting period	—	—	—	—	3 years	—
Fair value per option	HK$0.31	HK$6.70	HK$0.30	HK$6.68	HK$0.004	HK$38.30

Expected volatility was determined by using the historical volatility of the Company's share price over the period from 30 days to 5 years.

32. RESERVES

	Share premium HK$'000	Share based payment reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
THE COMPANY				
At 1 April 2007	918,264	10,357	424,121	1,352,742
Profit for the year	—	—	590,036	590,036
Recognition of equity-settled share based payment	—	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
Profit for the year	—	—	331,571	331,571
Exercise of share options	448	—	—	448
Recognition of equity-settled share based payment	—	24,424	—	24,424
Lapse of share options	—	(117)	117	—
Dividends	—	—	(458,375)	(458,375)
At 31 March 2009	918,712	53,096	347,804	1,319,612

33. DEFERRED TAX

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	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
At beginning of the year	81,997	83,136	237,273	237,273	319,270	320,409
Credit to consolidated income statement for the year	(4,054)	(1,139)	(329)	—	(4,383)	(1,139)
Tax effect of change in tax rate	(4,686)	—	(13,558)	—	(18,244)	—
At end of the year	73,257	81,997	223,386	237,273	296,643	319,270

Deferred tax assets

	Tax losses		Others		Total	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
At beginning of the year	(6,630)	(16,156)	(82)	(3,380)	(6,712)	(19,536)
Charge to consolidated income statement for the year	4,268	9,526	28	3,298	4,296	12,824
Tax effect of change in tax rate	378	—	5	—	383	—
At end of the year	(1,984)	(6,630)	(49)	(82)	(2,033)	(6,712)

33. DEFERRED TAX *(continued)*

THE GROUP *(continued)*

As at 31 March 2009, the Group had estimated unused tax losses of approximately HK$1,002,145,000 (2008: HK$981,460,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$12,022,000 (2008: HK$38,067,000) of such loss. No deferred tax asset has been recognised in respect of the remaining approximately HK$990,123,000 (2008: HK$943,393,000) due to the unpredictability of future profits streams. The expiry dates of these tax losses are as follows:

	2009 HK$'000	2008 HK$'000
Indefinite	546,350	555,696
Expiry in:		
2013	290,565	302,903
2014	165,230	122,861
	1,002,145	981,460

THE COMPANY

Deferred tax liabilities

	Accelerated tax depreciation	
	2009 HK$'000	2008 HK$'000
At beginning of the year	13,341	12,477
Charge to income statement for the year	534	864
Tax effect of change in tax rate	(762)	—
At end of the year	13,113	13,341

33. DEFERRED TAX *(continued)*

THE COMPANY *(continued)*

Deferred tax assets

	Tax losses		Others		Total	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
At beginning of the year	(4,740)	(10,476)	(34)	(34)	(4,774)	(10,510)
Charge to income statement for the year	3,656	5,736	32	—	3,688	5,736
Tax effect of change in tax rate	271	—	2	—	273	—
At end of the year	(813)	(4,740)	—	(34)	(813)	(4,774)

As at 31 March 2009, the Company had estimated unused tax losses of approximately HK$4,928,000 (2008: HK$26,292,000) available for offset against future profits that may be carried forward indefinitely. A deferred tax asset has been recognised in respect of such loss to net off with taxable temporary differences of the Company.

For the purpose of balance sheet presentation, deferred tax assets and liabilities have been offset.

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

	THE GROUP		THE COMPANY	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
At beginning of the year	312,558	300,873	8,567	1,967
(Credit) charge to income statement for the year	(87)	11,685	4,222	6,600
Tax effect of change in tax rate	(17,861)	—	(489)	—
At end of the year (shown as non-current liabilities)	294,610	312,558	12,300	8,567

34. CONTINGENT LIABILITIES

THE GROUP

(a) Pending litigations

As at 31 March 2009, 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.

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.

Other than the legal and professional expenses which have been provided and included in other payables, amounting to HK$35,981,000 (At 31 March 2008: HK$47,239,000) in note 26, no further 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.

34. CONTINGENT LIABILITIES *(continued)*

THE GROUP *(continued)*

(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.

(c) Guarantees given

As at 31 March 2009, the Company also maintains contingent liabilities that are related to various corporate guarantees the Company has provided to financial institutions for facilities granted to its subsidiaries. The aggregate amounts that could be required to be paid if the guarantees were called upon in entirety amounted to HK$668,231,000 (2008: HK$1,198,520,000), of which HK$2,961,000 (2008: HK$3,096,000) has been utilised by its subsidiaries. As at balance sheet date, an amount of HK$4,192,000 (2008: HK$255,000) has been recognised in the balance sheet as liabilities.

35. COMMITMENTS

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

	THE GROUP 2009 HK$'000	2008 HK$'000
Authorised but not contracted for	50	988
Contracted but not provided for	9,235	18,009
	9,285	18,997

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 2009, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2009			2008		
	Properties HK$'000	Plant and equipment HK$'000	Total HK$'000	Properties HK$'000	Plant and equipment HK$'000	Total HK$'000
Within one year	4,179	8,143	12,322	6,116	9,431	15,547
In the second to fifth years inclusive	392	4,174	4,566	2,981	6,509	9,490
	4,571	12,317	16,888	9,097	15,940	25,037

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

35. COMMITMENTS *(continued)*

(b) Commitments under operating leases *(continued)*

The Group as lessor

Rental income earned during the year was HK$1,686,000 (2008: HK$1,529,000). 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 under non-cancellable operating leases:

	2009 HK$'000	2008 HK$'000
Within one year	1,183	820
In the second to fifth years inclusive	233	389
	1,416	1,209

36. RELATED PARTY DISCLOSURE

a. Compensation of key management personnel

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

	THE GROUP	
	2009 HK$'000	2008 HK$'000
Short-term benefits	19,565	20,147
Share-based payments	7,859	2,135
Post-employment benefits	280	427
	27,704	22,709

36. RELATED PARTY DISCLOSURE *(continued)*

b. Connected party transactions

On 25 March 2009, a subsidiary of the Company, Amazing Sino International Limited, acquired 0.5% of the shares of Apple Daily Publication Development Limited, a subsidiary of the Company, from Mr. Tung Chuen Cheuk, director of the Company, for a total consideration of HK$4,724,000.

There are no other significant related party transactions for the year ended 31 March 2008 and 2009.

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company at 31 March 2009 are as follows.

Name	Place of incorporation	Paid up issued share capital	Proportion of nominal value of issued capital indirectly held by the Company %	Principal activities
Apple Community Infonet Limited	Hong Kong	10,000,000 ordinary shares of HK$1 each	100	Internet development (Note b)
Apple Daily I. P. Limited	British Virgin Islands	1 ordinary share of US$1	100	Holding of masthead and publishing rights of newspaper (Note b)
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 (Note b)
Apple Daily Printing Limited	Hong Kong	100,000,000 ordinary shares of HK$1 each	100	Printing of newspaper (Note b)

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name	Place of incorporation	Paid up issued share capital	Proportion of nominal value of issued capital indirectly held by the Company %	Principal activities
Apple Daily Publication Development Limited	Hong Kong	10,817,562 ordinary shares of HK$0.01 each	92.94	Publication and selling of newspaper and selling of newspaper advertising space (Note c)
Database Gateway Limited	British Virgin Islands	739,001,531 ordinary shares of HK$1 each	100 (Note a)	Investment holding (Note b)
Easy Finder I.P. Limited	British Virgin Islands	11,000 ordinary shares of US$1 each	100	Holding of masthead and publishing rights of magazines (Note b)
FACE Magazine Limited	Hong Kong	10,000 ordinary shares of HK$1 each	100	Publication and selling of magazines (Note b)

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name	Place of incorporation	Paid up issued share capital	Proportion of nominal value of issued capital indirectly held by the Company %	Principal activities
FACE Magazine Marketing Limited	Hong Kong	20,000,000 ordinary shares of HK$1 each and 4,000,000,000 ordinary shares of HK$0.01 each	95.17	Selling of magazines advertising spaces (Note b)
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 (Note b)
ME! Publishing Limited	Hong Kong	10,000 ordinary shares of HK$1 each	100	Publication and selling of magazines and selling of magazines advertising space (Note b)
Next Magazine Advertising Limited	Hong Kong	1,000 ordinary shares of HK$1 each	100	Selling of magazines advertising space (Note b)
Next Media Animation Limited	Hong Kong	10,000,000 ordinary share of HK$0.01 each	100	Animation Production (Note c)

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name	Place of incorporation	Paid up issued share capital	Proportion of nominal value of issued capital indirectly held by the Company %	Principal activities
Next Magazine Publishing Limited	Hong Kong	1,000 ordinary shares of HK$1 each	100	Publication and selling of magazines (Note b)
Next Media I. P. Limited	British Virgin Islands	1,000 ordinary shares of HK$1 each	100	Holding of masthead and publishing rights of magazines (Note b)
Next Media Interactive Limited	British Virgin Islands	10,001 ordinary shares of US$1 each	100	Provision of internet subscription, contents and selling of advertising space (Note c)
Next Media Management Services Limited	Hong Kong	2 ordinary shares of HK$1 each	100	Provision of management services (Note b)
Next Media Publishing Limited	Hong Kong	10,282,778 ordinary shares of HK$0.01 each	97.25	Publication and selling of magazines and selling of magazines advertising space (Note c)

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name	Place of incorporation	Paid up issued share capital	Proportion of nominal value of issued capital indirectly held by the Company %	Principal activities
Next Media Webcast Limited	Hong Kong	10,000,000 ordinary share of HK$0.01 each	100	Webcasting (Note c)
Paramount Printing Company Limited	Hong Kong	15,000 ordinary shares of HK$100 each	100	Provision of printing services (Note b)
Sudden Weekly Limited	Hong Kong	2 ordinary shares of HK$1 each	100	Publication and selling of magazines and selling of magazines advertising Space (Note b)

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 subsidiary was operated in Hong Kong.

Note c: The subsidiary was operated in both Hong Kong and Taiwan.

Five Years Financial Summary

For the year ended 31 March 2009

	Year ended 31 March				
	2005 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000	**2009 HK$'000**
RESULTS					
Revenue	2,932,172	3,322,024	3,245,163	3,483,794	**3,291,501**
Profit attributable to equity holders of the parent	104,257	440,766	344,435	521,323	**257,484**
Minority interests	—	—	(2,022)	—	**—**
Profit for the year	104,257	440,766	342,413	521,323	**257,484**

	As at 31 March				
	2005 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000	**2009 HK$'000**
ASSETS AND LIABILITIES					
Total assets	4,428,379	4,484,787	4,601,427	4,598,314	**4,333,297**
Total liabilities	(941,547)	(1,085,190)	(1,244,604)	(1,188,775)	**(1,215,879)**
	3,486,832	3,399,597	3,356,823	3,409,539	**3,117,418**
Equity attributable to equity holders of parent	3,484,772	3,397,537	3,356,785	3,409,496	**3,117,375**
Minority interests	2,060	2,060	38	43	**43**
	3,486,832	3,399,597	3,356,823	3,409,539	**3,117,418**

NEXTmedia