Next Media Limited

Stock Code: 282

ANNUAL REPORT 09/10

ABOUT US

BESIDES PUBLISHING THE MOST POPULAR AND HIGHLY REGARDED NEWSPAPERS AND MAGAZINES IN HONG KONG AND TAIWAN, AND THEIR MOST-VISITED NEWS PORTALS, NEXT MEDIA IS EXPANDING THE SCOPE OF ITS OPERATIONS TO INCLUDE ANIMATED NEWS AND A TV NETWORK IN TAIWAN.

BUSINESS REVIEW

FINANCIAL REPORT

GLOSSARY

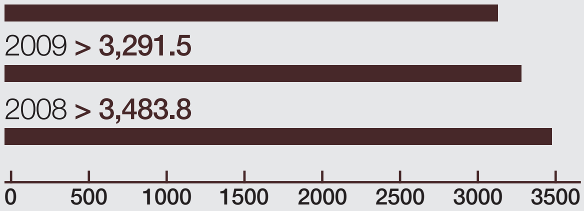
FINANCIAL HIGHLIGHTS

ON TARGET NET PROFIT INCREASED BY 24.6%

Next Media's operating results for the year were generally in line with its expectations – and even exceeded them in some areas. Riding on the steady improvement in economic conditions, the Company performed better during the second half than in the first, and it is now poised to take full advantage of the ongoing resurgence in the business environment.

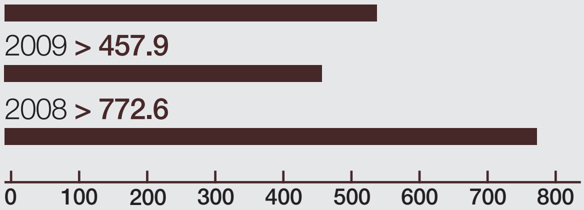
REVENUE (HK$ MILLION)

2010 > 3,126.2



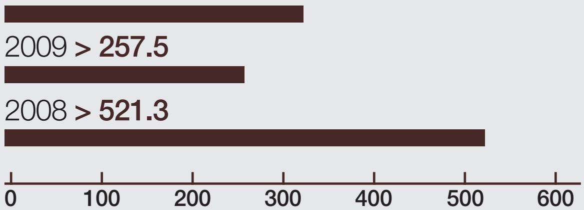
EBITDA AFTER MINORITY INTERESTS (HK$ MILLION)

2010 > 535.7

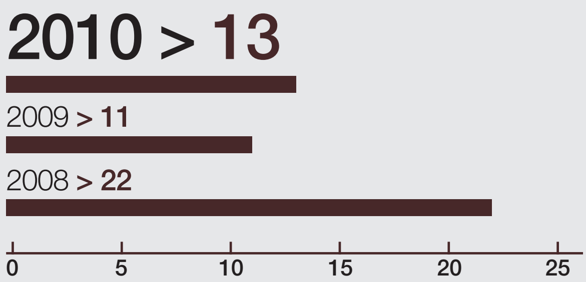


NET PROFIT FOR THE YEAR (HK$ MILLION)

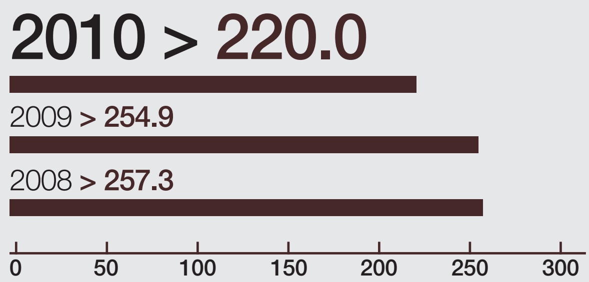
2010 > 320.8



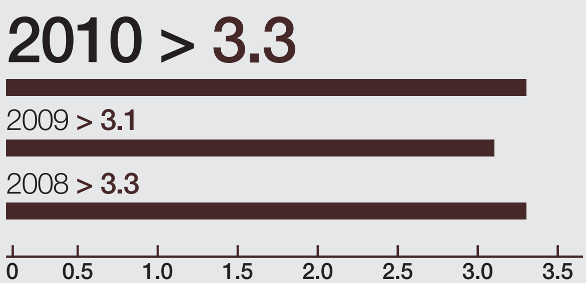
BASIC EARNINGS PER SHARE (HK CENTS)



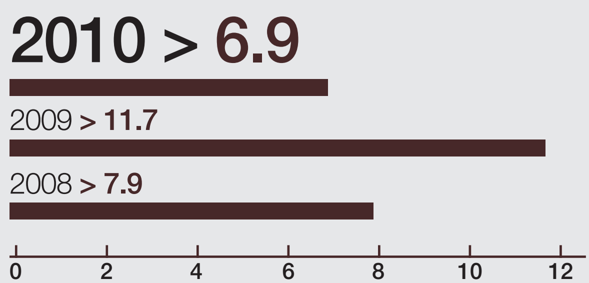
QUICK RATIO (%)



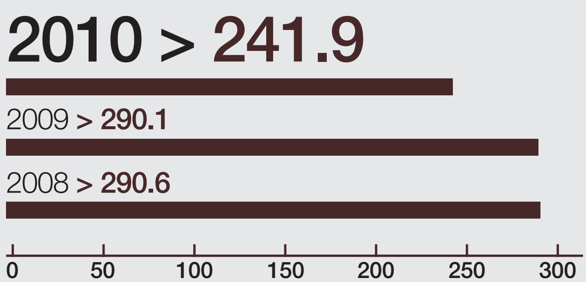
WORKING CAPITAL TURNOVER



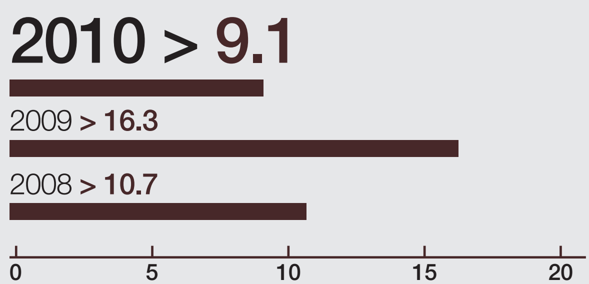
GEARING RATIO (%)



CURRENT RATIO (%)



DEBT TO EQUITY RATIO (%)



HOLLYWOO

OUR RESILIENCE IN THE PAST YEAR IS ATTRIBUTABLE TO THE INTEGRITY OF OUR PUBLICATIONS AND THEIR COMMITMENT TO TELLING THE TRUTH FEARLESSLY, THE LOYALTY OF OUR READERS AND ADVERTISERS, THE ALERTNESS OF OUR MANAGEMENT, AND OUR RESILIENT SPIRIT OF OPTIMISM. WE ARE BETTER PLACED TO MEET FUTURE CHALLENGES THAN MANY OF OUR RIVALS.

“ ***OUR NEW TV AND ANIMATION VENTURES WILL CREATE SYNERGIES*** WITH OUR EXISTING PRINT AND ONLINE OPERATIONS, THUS MAKING OUR PRODUCT OFFERINGS TO CONSUMERS AND ADVERTISERS MORE COMPREHENSIVE AND ATTRACTIVE.”

CHAIRMAN'S STATEMENT

SHINING THROUGH

I have pleasure in reporting Next Media's financial results for the year ended 31 March 2010.

A Chinese proverb says that "a gem cannot be polished without friction, nor a man perfected without trials and tribulations". If that is true, the economic upheavals of the past two years have certainly given all of us many opportunities to let our brilliance shine through more clearly, and improve our characters!

Yet, the business environment has grown steadily brighter during the past 12 months. In fact, the upturn has got underway a lot faster (especially in Asia) than many would have dared to expect during the second half of 2008. That has partly been due to the concerted efforts that governments around the world have made to ensure that we did not slide into a prolonged 1930s-style global depression.

Even so, we have to accept that the recovery is taking longer than we might have wished for; and that for every two steps forward, we sometimes seem to take one step back. But at least we appear to be moving in the right direction.

As we review Next Media's performance during the past year, we obviously need to take the broad picture of the general economic environment into account. We also have to remember that the media industry is tremendously influenced by the spending patterns of the people who buy our publications and the products and services of the companies that advertise in them. In times of uncertainty, both consumers and advertisers rein in their spending, and it often takes them quite a while to regain their confidence.

Although Next Media suffered from the sluggish economy during the past financial year, we believe we will be able to emerge from the recession in a healthier position than a lot of our rivals in Hong Kong and Taiwan, and that we will be in a strong position to benefit from the improving economic environment. I say this for several reasons. The first is the integrity of our publications. We have always based our business on telling our readers the truth about issues that concern them and influence their lives. Our aim is to present the facts clearly, honestly and interestingly. We do not bend to commercial influences or political considerations. This principled stand has created a high level of trust in the minds of our readers and advertisers, which is translated into a strong sense of loyalty towards our publications, even during difficult times.

Now, nobody is suggesting that we should take this loyalty for granted. Nor does it make us immune to the effects of adverse economic situations. We still need to manage our businesses prudently, and often we need to take tough decisions, especially in terms of controlling our costs. Yet, it has helped to mitigate their impact.

Another factor has been Next Media's resilient spirit of optimism. We have never allowed ourselves to be discouraged by the wounds we sometimes sustain on the battlefield. We have always been prepared to fight to do the right things, and confident enough to reach out and grasp fresh opportunities as they arise.

These three factors – our integrity, prudence and optimistic outlook – have sustained and will continue to sustain the trust of our readers, advertisers, employees and other stakeholders in Next Media and its future.

ON TOP IN HONG KONG

Despite the difficult business climate during the past year, we still have some significant successes to report. The first was that *Apple Daily* became Hong Kong's most widely read newspaper during the year of 2009. That was a tremendous achievement, and we intend to follow it up with concerted efforts to increase our leadership position within the industry during the coming months.

At the same time, the sales and readerships of our weekly magazines remained stable. Each of our three weeklies in Hong Kong continued to occupy the top position in their respective market segments.

ON THE AIR IN TAIWAN

Taiwan Apple Daily and *Taiwan Next Magazine* continued to be the most widely read daily newspaper and weekly magazine on the island. Their ongoing success further validates the decision we made to extend the scope of our business beyond Hong Kong and its mature media market.

Although Taiwan's major advertisers reduced their overall budgets in the face of economic conditions, they continued to recognise the reach and the attractive reader demographics of our publications, and to regard them as priority media for reaching their target markets.

Now, we are poised to make another new breakthrough in the Taiwan media industry with the launch of *Next TV*. Broadcast licence applications are currently being processed. We will be ready to go on air soon after all the formalities have been completed.

We are also rapidly pushing ahead with the further development of our animated news production operation in Taiwan. In fact, it will be an important direction for our business growth in the coming years, because we believe that animated news will be extremely attractive to the younger generation, who are more receptive to the idea of obtaining information in this format, via the Internet and other platforms. At present, we are making considerable investments in manpower and technology to achieve our goal of converting local and international news into an animated format within a turnaround time of two hours.

Our new TV and animation ventures will take us into entirely new territories. We feel very excited about this, as it will expand our reach and create synergies with our print and online operations, thus making our product offerings more comprehensive and attractive to consumers and advertisers.

They also underline our confidence in Taiwan's long-term economic fundamentals, and that its traditions of democracy and free speech will continue to create strong demand for our objective and outspoken media. Moreover, it will help us to move closer to realising our vision of deriving equal shares of our revenue from Hong Kong and Taiwan.

AS THE CLOUDS CLEAR

The events that took place in the second half of 2008 show that it is never wise to be too confident about the future. Yet, as the news on the economic front remains broadly positive, it does appear that we have put the worst behind us and that a sustained recovery, perhaps choppy at times, is likely.

Yet, we cannot allow the improving situation or our leadership position in the industry to make us complacent. Like a master gem-cutter, we will continue to polish our products, so that they shine with ever-greater lustre. We will also aim for continuous improvement, in order to perfect ourselves and our work.

In conclusion, I would like to offer my sincere appreciation to Next Media's excellent teams in Hong Kong and Taiwan. You have put in a tremendous amount of hard work and shown immense resourcefulness and determination in the face of many difficulties during the past year.

Sincere thanks are also due to our readers, advertisers and shareholders, for your exceptional loyalty and support. You have been responsible for all Next Media's past success. We will never be distracted from our fundamental mission of justifying your confidence in us and satisfying your needs.

Jimmy Lai
Chairman

THE ADVERSITIES OF THE PAST TWO YEARS HAVE UNDERLINED THE IMPORTANCE OF TAKING NOTHING FOR GRANTED AND ALWAYS MAINTAINING A PRUDENT OUTLOOK. NEXT MEDIA HAS TAKEN THESE LESSONS TO HEART, AND IT WILL ADHERE TO ITS MISSION OF FOCUSING ON THE NEEDS OF ITS READERS AND ADVERTISERS.

MANAGEMENT DISCUSSION & ANALYSIS

In 2009, the world began to recover from the major financial crisis that had engulfed it the previous year. Both of the markets in which Next Media operates – Hong Kong and Taiwan – regained at least some of their vigour, although Hong Kong's economy rebounded more strongly than Taiwan's, which remained less healthy than the Group had expected.

These trends were reflected in Next Media's results for the year ended 31 March 2010. They can be described as satisfactory, inasmuch as they corresponded with the Group's cautious expectations, and even exceeded them in some areas, such as the newspaper publication and printing businesses.

Overall, the media industry's operating environment remained difficult during the first half of the year. The situation eased somewhat in the second half, yet the improvement tended to be gradual and uneven. It is worth noting that the Group's performance was better in the second half than the first. This indicates a steady improvement in economic conditions, as well as a return to traditional seasonal patterns in the media industry.

The Group's results also demonstrate the wisdom and effectiveness of its management's prompt and determined measures to impose and maintain tight controls over costs, and to reduce them wherever possible.

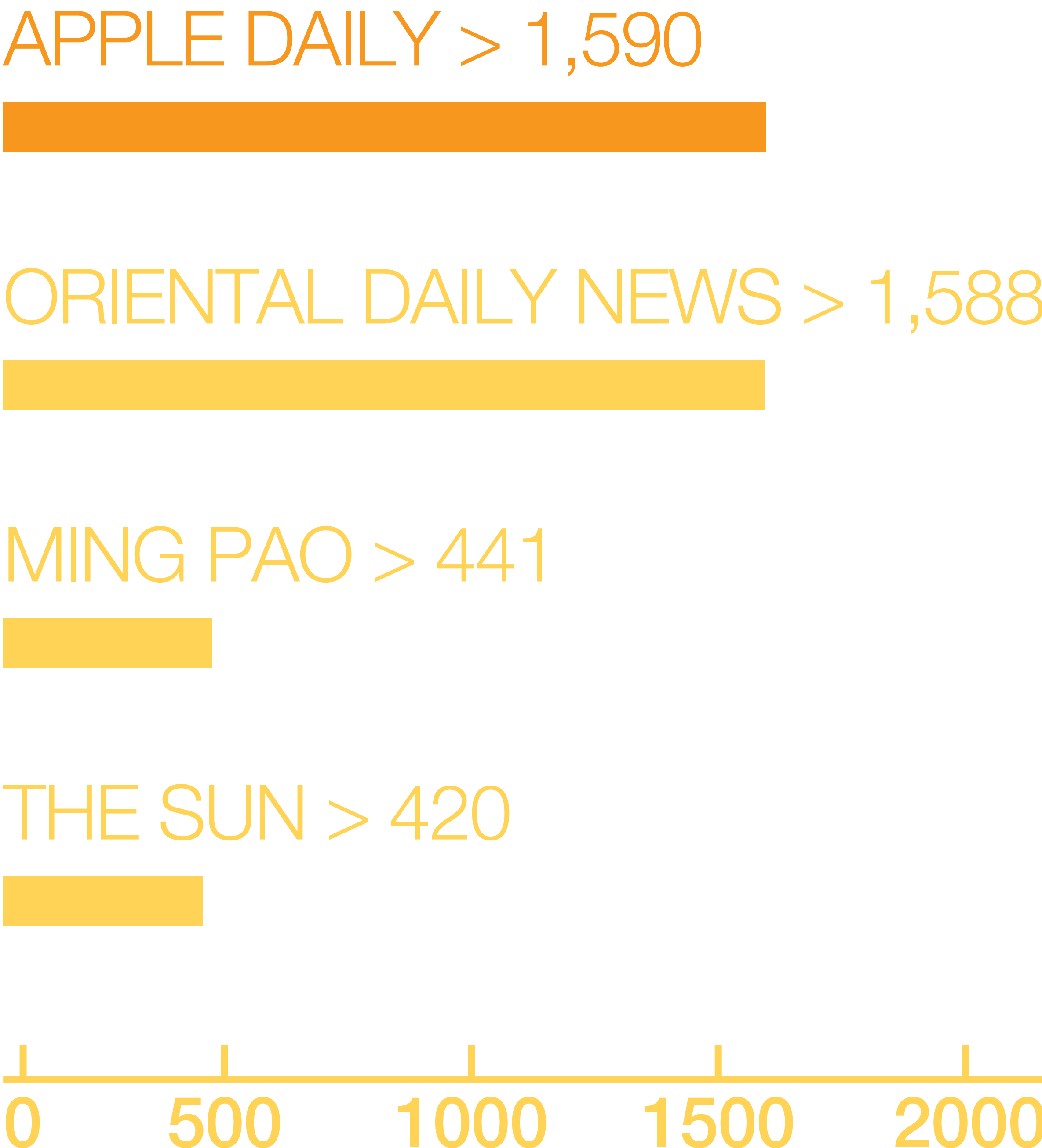
Broadly speaking, Next Media did better than most of its competitors in the industry, both in Hong Kong and Taiwan. This attested to the wholehearted dedication and professionalism of its people, the consistent quality of its products, and the loyalty they inspired among its readers and advertisers.

As a result, the Group has been able to maintain its leading edge in the print media industry in both markets, which positions us favourably to reap the benefits of the economic recovery.

The Group made a profit of HK$320.8 million for the 12 months ended 31 March 2010, compared with a profit of HK$257.5 million in the previous financial year, an increase of 24.6%.

TOP FOUR CHINESE NEWSPAPERS' READERSHIP IN HONG KONG

FOR THE PERIOD FROM JAN - DEC 2009
'000



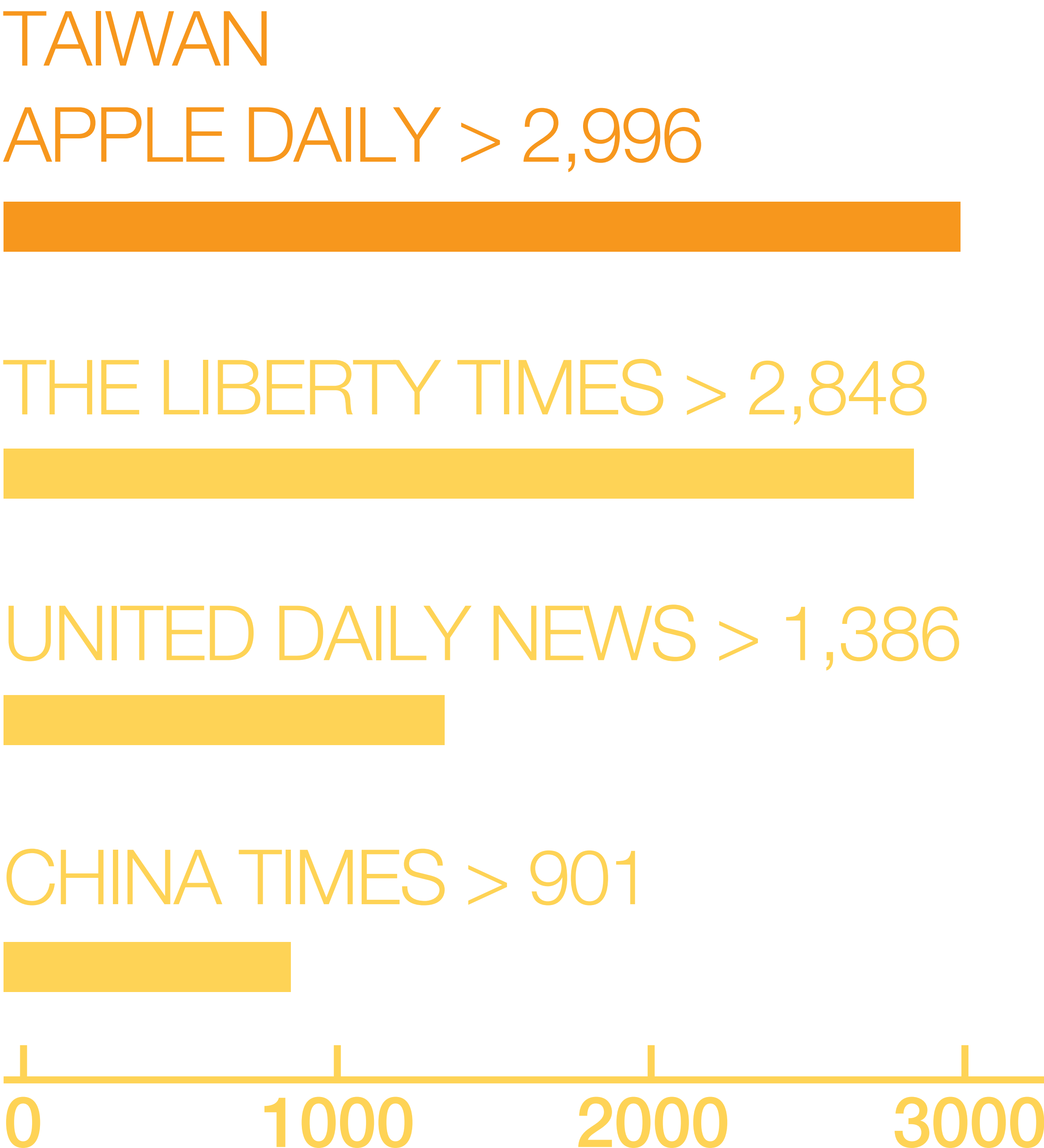
Source: The 2009 Neilsen Media Index: Hong Kong Report (January – December 2009)

TOP FOUR CHINESE WEEKLY MAGAZINES' READERSHIP IN HONG KONG

FOR THE PERIOD FROM JAN - DEC 2009
'000

TOP FOUR NEWSPAPERS' READERSHIP IN TAIWAN

FOR THE PERIOD FROM JAN - DEC 2009
'000



Source: Media Index (January – December 2009), Neilsen Media Research, Taiwan

TOP FOUR CHINESE WEEKLY MAGAZINES' READERSHIP IN TAIWAN

FOR THE PERIOD FROM JAN - DEC 2009 '000

OPERATIONAL REVIEW

OVERVIEW OF MAJOR MARKETS

Hong Kong

The 2008 global financial crisis had a significant impact on Hong Kong's economy. For instance, its Gross Domestic Product (GDP) fell by 2.7% during 2009. Even so, the city was less severely affected than many other parts of the world, and its economic revival got underway more quickly. Both the property market and Hang Seng Index rebounded strongly in the course of the year, while unemployment rate fell significantly.

The main reason for Hong Kong's economic resilience has been its close relationship with Mainland China, where the economy has remained robust. In fact, China is now poised to overtake Japan to become the world's second-largest economy. According to official statistics, China's GDP grew by 8.7% in 2009, despite a 16.0% decline in exports. This momentum is set to increase even further in 2010.

Total advertising spending in Hong Kong – a key barometer of the business community's confidence level that is particularly relevant to media companies – recovered to some extent last year. However, industry research indicates that much of the extra spending went on outdoor, TV and radio advertising; whereas total spending on newspaper advertising changed little, and magazine advertising spending declined.

One trend that favoured the print media industry as a whole was a substantial fall in the price of newsprint during the course of the year.

Taiwan

Taiwan's economy again performed disappointingly last year. The biggest single negative factor was a 20.0% fall in its exports, as a result of the downturn in world trade following the 2008 global financial crisis. On the other hand, the island continued to maintain a large trade surplus, and its foreign-exchange reserves remained among the largest in the world.

Furthermore, the vigorous efforts of President Ma Ying-jeow and his administration to strengthen economic ties with Mainland China – especially in the areas of finance, investment and tourism – yielded some positive results. Yet Taiwan's economy was definitely swimming against the tide, and its GDP declined by 2.5% in 2009.

These unfavourable conditions had an impact on the island's media industry. Total advertising spending declined by 7.0% to US$1.2 billion in 2009, the fifth consecutive year it has fallen.

BUSINESS PERFORMANCE

The Group's revenue totalled HK$3,126.2 million for the year ended 31 March 2010. This was 5.0% lower than the figure of HK$3,291.5 million for the preceding 12 months.

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 2009/10 financial year, the Division's revenue totalled HK$2,176.5 million, a slight decline of 2.3% on the figure of HK$2,227.2 million it achieved in the previous year.

Apple Daily

Apple Daily overtook its closest rival to become the most widely read paid for newspaper in Hong Kong in 2009. While its average daily readership of people aged 12 and over declined slightly by 2.6% from 1,633,000 in 2008 to 1,590,000 last year[1], this still outperformed the 7.8% decline for the combined average daily readership figures for Hong Kong's four most-popular dailies (from 4,379,000 to 4,039,000) in the same period. Also, *Apple Daily*'s circulation remained firm, dipping by just 1.8% to an average of 302,673 copies per day during the second half of 2009, compared with 308,083 copies in the same period of 2008[2].

The newspaper's quality and objective 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. Research by Neilsen Media has shown that the demographic profile of *Apple Daily*'s readers was more attractive than that of its closest rival, in terms of their educational and career status and personal and household incomes.

In the year under review, *Apple Daily*'s revenue amounted to HK$1,011.6 million, a slight decrease of 1.8% on the previous year's figure of HK$1,030.3 million. Circulation income accounted for HK$403.4 million of this figure, which was 1.9% less than the previous year's figure of HK$411.2 million. However, the lingering effects of the global economic crisis on Hong Kong's economy depressed the newspaper's advertising income, which amounted to HK$608.2 million, a 1.8% decline on the previous year's figure of HK$619.1 million.

Although the Hong Kong newspaper industry has been in the doldrums for the past year, the Group is confident the trickle-down effect of the economic recovery that is now taking place will give *Apple Daily*'s performance a boost in the coming months, and that it will remain one of the Group's most valuable assets. The strong loyalty of its readers and the attractiveness of their demographic profile have helped to maintain the newspaper's attractiveness to advertisers, even though many of them have had to curtail their budgets in the past year. *Apple Daily* will therefore be well positioned to benefit from the improving business climate in the near future.

Taiwan Apple Daily

Taiwan Apple Daily's unbiased, outspoken and incisive reporting made it an overnight sensation when the first issue went on sale in 2003. It steadily overtook all its competitors to become the island's best-selling and most widely read daily during the fourth quarter of 2008, a position it has held ever since.

Taiwan Apple Daily was read by an average of 2,996,000 people aged 12 and over every day during 2009; ahead of its main competitor's daily readership of 2,848,000[3]. Compared to 2008, average daily readership grew 4.7%; and this 4.7% increase compares favourably with the combined average daily readership for the island's four most-popular dailies, which fell by 3.1% from 8,392,000 to 8,131,000 in the same period. Meanwhile, its average daily copies sold 518,000 copies during the year, compared with 510,000 copies in 2008, an increase of 1.6%.

Despite the impact of the global economic downturn on advertisers' budgets in the past financial year, and the fact that this makes it difficult to set advertising rates that reflect the newspaper's readership, *Taiwan Apple Daily*'s advertising income has been more buoyant than that of many of its competitors, declining by just 4.9% to HK$655.2 million, compared with the previous financial year's figure of HK$689.0 million.

While the newspaper's total revenue decreased by HK$31.8 million to HK$1,047.6 million in the year under review, its profitability grew by 1,064.0% to HK$174.6 million, compared with the previous financial year's profit of HK$15.0 million. This was mainly attributable to reductions in its direct production costs, including the cost of paper, and cost-saving measures implemented by the Group.

Like all the Group's operations, *Taiwan Apple Daily* has had to face many challenges in the past 12 months. Its management has responded by maintaining a close watch on every area of its costs. Given the huge popularity the newspaper has achieved in such a short space of time, the Group is confident its fortunes will rebound strongly when the business climate improves.

Sharp Daily, a free newspaper that is distributed to travellers at Taipei's Rapid Transit subway stations every morning from Monday to Saturday has received strong support from readers and advertisers since its launch in October 2006. Smaller local companies who cannot afford expensive island-wide advertising campaigns are particularly keen to promote themselves to a prime audience in Taiwan's biggest city by taking space in its pages. As a result, *Sharp Daily* broke even for the first time during the first half of the 2008/09 financial year. Despite the current unfavourable business conditions, the Group remains confident of its long-term success.

Apple Daily Printing Limited

The newspaper printing business continued to contribute a stable income to the Group. The revenue of its Hong Kong printing operations amounted to HK$377.6 million, the same figure as in the previous year.

Excluding transactions related to printing Next Media's own publications, the revenue of Apple Daily Printing Limited amounted to HK$117.3 million during the 2009/10 financial year, which was 0.2% lower than the HK$117.5 million it achieved in the preceding 12 months.

Books and Magazines Publication and Printing Division

The results of the Books and Magazines Publication Division and the Books and Magazines Printing Division were combined into the Books and Magazines Publication and Printing Division, with effect from 1 April 2009.

Between them, these operations continued to account for a sizeable proportion of the Group's revenue. The total revenue of the combined Division was HK$905.1 million during the year under review, a 11.2% decrease on the total revenue of HK$1,019.7 million that the two divisions generated in the previous year. This was mainly attributable to a reduction in the printing orders it received from external customers in Europe and U.S.A., due to unfavourable economic conditions in those two regions as well as a drop in sales of magazine and advertising income.

Next Magazine

Despite the economic situation, the Group's flagship weekly stood its ground during the financial year ended 31 March 2010. *Next Magazine* remained the second most widely read Chinese weekly magazine in Hong Kong, attracting a market share of 12.8%. Its readership among people aged 12 and over averaged 688,000 a week during the year ended 31 December 2009, compared with 782,000 in the preceding 12 months[1]. Although this represented a decline of 12.0%, it was in line with the decrease in the combined average weekly readerships of Hong Kong's four most-popular weeklies that occurred during the same period. Meanwhile, *Next Magazine*'s sales averaged 127,130 copies a week in the period from July to December 2009, a decrease of 3.7% on the average of 132,011 copies it sold in the same period of the previous year[2].

The high-calibre demographic profile of *Next Magazine*'s male and female readers enabled it to retain its attractiveness to advertisers last year, even though most of them curtailed their overall budgets. Among Hong Kong's four best-selling weekly magazines it had the highest percentage of readers in the 35 to 64 age group, and who enjoyed a monthly household income exceeding HK$30,000[1]. This strong readership profile encouraged companies to continue regarding *Next Magazine* as a preferred tool for advertising their products and services to well-educated and affluent professional and managerial readers.

Next Magazine's advertising income amounted to HK$161.1 million during the year, 6.7% less than the previous year's total of HK$172.6 million.

Sudden Weekly Bundle

Sudden Weekly Bundle, which incorporates *Sudden Weekly, Eat and Travel Weekly* and *ME!*, maintained its strong leading edge among its predominantly female target readers. It enjoyed a 15.6% share of this market segment, compared with its closest rival's 8.6%. Although the average weekly readership of this title among people aged 12 and above declined slightly by 6.7% last year, from 898,000 in 2008 to 838,000 in 2009[1], its average weekly sales were 170,329 copies during the period from July to December 2009, an increase of 1.4% on the 167,921 copies a week it sold in the same period of the previous year[2].

The inclusion of *ME!* – a perfect-bound upmarket magazine printed on heavier art paper and directed at higher-income females and office ladies – in *Sudden Weekly Bundle* since December 2006 has proved successful in terms of increasing its appeal and raising the demographic profile of its readership. In 2009, 42.7% of its readers lived in households with a total income exceeding HK$25,000[1].

These factors have helped *Sudden Weekly Bundle* to retain its attractiveness among advertisers. *ME!* has been particularly successful in attracting advertising for prestigious brand-name products, and this made a major contribution to *Sudden Weekly Bundle*'s overall performance during the year.

The title's advertising income amounted to HK$187.4 million in the 2009/10 financial year, basically holding steady on the previous year's figure of HK$187.9 million, in a very difficult business environment. On the other hand, its circulation income rose by 2.4%. As a result, the title's total revenue amounted to HK$278.1 million in the 2009/10 financial year, compared with HK$276.5 million during the previous year.

FACE Bundle

FACE, which is bundled with *Auto Express* and *Trading Express*, aims to attract affluent young adult readers and advertisers who are seeking to reach them. In 2009, 31.1% of its readers were aged 15 to 24, and 38.9% were aged 25 to 34. In addition, 34.4% of them lived in a household with a total monthly income of over HK$30,000.

This publication had an average weekly readership of 256,000 people during 2009, an increase of 23.7% on the figure of 207,000 during the previous year[1]. Meanwhile, it sold an average of 65,050 copies a week during the second half of 2009, compared with 72,211 copies in the corresponding period of 2008[2].

FACE Bundle's revenue came under considerable pressure during the year. This situation was particularly attributable to the fall in its income from employment and auto-trading advertising. Although the situation improved somewhat as the months passed, the title's total revenue was 15.4% lower in the year under review, declining to HK$87.0 million, compared with HK$102.8 million during the previous 12 months.

Taiwan Next Magazine

Like *Taiwan Apple Daily*, *Taiwan Next Magazine* has been affected by the island's economic situation. Even so, it has retained its unchallenged lead as its best-read magazine. It had an average weekly readership of 1,551,000 people aged 12 and above, compared with 1,624,000 the previous year[3]. This was equal to about 46.4% of the combined readerships of the island's top four magazines. While the readership of *Taiwan Next Magazine* declined by 4.5% in 2009, the combined readerships of the four most-widely read magazines on the island fell by 4.3% – from 3,491,000 to 3,340,000 – during the same period.

The title sold an average of 107,947 copies a week during the second half of 2009, compared with 120,901 copies in the corresponding months of the previous year, while its circulation income decreased by 10.7%[4].

Taiwan Next Magazine remained the magazine of choice for the island's advertisers. However, the difficult overall business environment meant that advertisers' budgets were severely constrained. Its advertising income in the year ended 31 March 2010 amounted to HK$132.5 million, a decrease of 19.4% on the figure of HK$164.3 million during the previous 12 months.

The strength of *Taiwan Next Magazine*'s position at the forefront of the island's weekly magazine market, in terms of its readership and advertising income, convinces the Group that it has a bright future. It will be able to take full advantage of the economic recovery and make major contributions to the Group's profits in the years to come.

The increasing sophistication and capacity of printing operations in Mainland China served to ramp up the intensity of competition within the printing industry during the year, and this inevitably put pressure on the sales and profit margins of Next Media's commercial printing operation. In addition, many of its clients in Hong Kong, North America, Europe and Australasia were obliged to reduce the print runs of their publications, which were mainly high-end books.

Despite this, the commercial printing operation has continued to contribute to the Group's total revenues. Its revenue during the year ended 31 March 2010 amounted to HK$245.8 million, which was 20.5% less than the figure of HK$309.2 million for the previous year. Internal revenue accounted for HK$152.9 million or

62.2% of this figure, while revenue from external customers made up the remaining HK$92.9 million, a decrease of 31.9% on the preceding year's figure of HK$136.5 million.

In response to the challenges it faces, the commercial printing operation has continued to emphasise the quality of its products. This has allowed it to continue to obtain a steady stream of business, and it is set to generate a reliable flow of revenue for the Group in the coming years.

Internet Businesses Division

The Internet Businesses Division's main focus remained on giving local and overseas readers a convenient and economical way to access their favourite Next Media publications during the year.

To attract more visitors and advertising revenue, it made continuous refinements and improvements to the Group's websites. They included the launch of animation news programmes in November 2009 and the *Zodiac Animation Video* channel in December 2009.

In addition, the Division has begun to create virtual entertainment content for the Group's new TV network in Taiwan. It has also formed an international editorial team to offer its animation services to external clients in Hong Kong and worldwide.

Over the past year, the Division conducted a large-scale marketing campaign – including print, outdoors and online advertising campaign – to create greater awareness, attract more traffic, and increase advertising for its video website.

Its studio underwent a major reconstruction programme to increase its productivity and the quality of its output.

These developments served to increase the popularity of the Division's offerings further during the year under review. By March 2010, it was attracting an average of 3.7 million unique visitors and 166.7 million page views per month, thus maintaining its status as Hong Kong's most popular interactive news portal. In Taiwan, it achieved a monthly average of 3.2 million unique visitors and 46.1 million page views[5].

Meanwhile, the Division generated a total of HK$44.6 million in external revenue, the same amount as in the previous year. This consisted of subscription fees, advertising revenue and content licensing payments.

The Group is confident that the Internet Businesses Division's revenue will grow further in the future. It has therefore revamped the portal's contents, and it has continued to invest in manpower and technology for its webcast and animation operations.

As a result of these investments, the Internet Businesses Division made a segment loss of HK$73.4 million during the year under review, compared with a segment loss of HK$62.2 million during the previous year.

Sources:

1. The 2009 Neilsen Media Index: Hong Kong Report (January – December 2009).
2. Hong Kong Audit Bureau of Circulations Ltd. (July – December 2009).
3. Media Index (January – December 2009), Nielsen Media Research, Taiwan
4. The Audit Bureau of Circulations, R. O. C. (July – December 2009).
5. Nielsen Site Census (March 2010)

FINANCIAL REVIEW

CONSOLIDATED FINANCIAL RESULTS

Revenue

Next Media recorded total revenue of HK$3,126.2 million for the year ended 31 March 2010. This represented a decrease of 5.0% or HK$165.3 million on the figure of HK$3,291.5 million achieved in the previous 12 months. The main contributing factors to these results were a reduction in the amount advertisers spent on print media and the sluggish economy, especially during the first half of the year.

The Group continued to derive most of its revenue from Hong Kong, where its operations accounted for HK$1,829.9 million or 58.5% of its total revenue during the 2009/10 financial year. This was followed by Taiwan, which was responsible for 40.0%. Taiwan's contribution declined by 5.3% from the previous year's HK$1,319.9 million to HK$1,250.3 million during the financial year.

In terms of its operations, newspapers publishing and printing continued to account for the largest part of the Group's revenue. The Newspapers Publication and Printing Division contributed HK$2,176.5 million or 69.6% of its total revenue, a decrease of HK$50.7 million or 2.3% on the figure of HK$2,227.2 million for the previous financial year.

The Books and Magazines Publication and Printing Division generated HK$905.1 million or 29.0% of the Group's total revenue.

EBITDA and Segment Results

The Group's Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) for the year ended 31 March 2010 amounted to HK$535.7 million. This was HK$77.8 million or 17.0% more than the HK$457.9 million it achieved in the previous financial year, mainly due to reduced direct production costs, including the cost of paper, and cost-saving measures that the Group implemented.

The Group made a segment profit of HK$422.7 million during the year under review. This was 22.5% higher than the figure of HK$345.1 million it reported in the previous financial year.

The Newspapers Publication and Printing Division's segment profit rose by 99.7% to HK$453.1 million, compared with the previous year's figure of HK$226.9 million.

The segment profit of the Books and Magazines Publication and Printing Division decreased by 23.6% to HK$137.9 million, compared with the figure of HK$180.4 million for the previous year.

Operating Expenses

The Group's operating expenses totalled HK$2,732.5 million during the financial year under review. This was HK$246.5 million or 8.3% lower than the previous year's figure of HK$2,979.0 million. HK$994.1 million or 36.4% of this amount consisted of essential production costs. Paper is one of the most important of these, and its cost declined significantly during the course of the year, so the Group's total outlay on this item was less than budgeted for. Personnel costs accounted for a further HK$1,185.1 million or 43.4% of the Group's total operating expenses, an increase of HK$34.8 million or 3.0% on the previous year's figure of HK$1,150.3 million.

Taxation

The taxes levied on the Group during the 2009/10 financial year amounted to HK$72.9 million, which was 32.5% more than the previous year's figure of HK$55.0 million.

FINANCIAL POSITION

Current Assets and Current Liabilities

As at 31 March 2010, the Group held HK1,480.1 million in current assets, a decrease of 5.0% on the figure of HK$1,557.9 million a year earlier. The Group's total liabilities on the same date were HK$1,127.7 million, 7.3% less than the figure of HK$1,215.9 million 12 months earlier. The Group's bank balances and cash, including restricted bank balances, totalled HK$799.9 million as at 31 March 2010. The current ratio on the same date was 241.9%, a decline of 16.6% compared to the ratio of 290.1% a year before.

Trade Receivables

As at 31 March 2010, the Group's trade receivables totalled HK$433.7 million, an increase of 7.7% over the figure of HK$402.6 million 12 months earlier. The average revenue days for the Group's trade receivables as at 31 March 2010 was 48.8 days, compared to 51.3 days on the same date of the previous year.

Trade Payables

As at 31 March 2010, the Group's trade payables amounted to HK$122.4 million. This was 24.9% less than the figure of HK$163.0 million on the same date of the previous financial year. The average revenue days for its trade payables was 52.4 days, compared to 39.8 days during the previous financial year.

Long-term and Short-term Borrowings

As at 31 March 2010, the Group's long-term borrowings, including current portions, totalled HK$318.9 million. This represented a decline of 37.2% on the figure of HK$507.5 million on the same date of the previous financial year. As at 31 March 2010, the current portion of the Group's long-term borrowings stood at HK$116.9 million, a decline of 18.1% measured against the figure of HK$142.7 million 12 months earlier.

Borrowings and Gearing

The Group's primary source of financing for its operations during the 2009/10 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$591.1 million, of which HK$324.4 million had been utilised. There was no seasonality in the Group's bank borrowing requirements, and all the monies borrowed bear interest at floating rates.

The Group's bank borrowings during the year were denominated in Hong Kong and New Taiwanese dollars. As at 31 March 2010, the Group's total bank balances, including restricted bank balances and cash on hand, amounted to

HK$799.9 million. Its gearing ratio on the same date was 6.9%, compared to 11.7% 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

There was no change in the share capital structure of the Company during the year. As at 31 March 2010, 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$1.0 each.

Cash Flow

The Group's net cash inflow from operating activities during the year ended 31 March 2010 amounted to HK$570.1 million, whereas its cash inflow from operating activities in the preceding year was HK$386.2 million.

The outflow of investment-related cash during the 2009/10 financial year totalled HK$479.3 million. This figure represented an increase of 977.1% on the total amount of HK$44.5 million during the previous financial year. The main reason for this significant increase in cash outflow was the Group's capital investment in its TV operation in Taiwan.

The Group's net cash outflow for financing activities during the year reached HK$227.4 million, compared to the preceding year's net cash outflow figure of HK$294.7 million. The 2009/10 figure mainly consisted of a total of HK$216.6 million in repayments of bank borrowings.

Exchange Rate Exposure and Capital Expenditure

The Group's assets and liabilities are mainly denominated in Hong Kong dollars and New Taiwanese dollars. It continues to face exchange rate exposure due to its operations in Taiwan, and it aims to reduce this exposure by arranging bank loans in New Taiwanese dollars, as and when appropriate. As at 31 March 2010, the Group's net currency exposure stood at NTD5,874.4 million (the equivalent of HK$1,434.2 million) an increase of 28.4% on the figure of NTD4,574.1 million (the equivalent of HK$1,045.3 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 2009/10 financial year totalled HK$483.7 million, of which HK$465.4 million was used to fund its operations in Taiwan. By the year-end, it had committed to further capital expenditure of HK$136.4 million on its operations, of which HK$126.4 million was to fund its operations in Taiwan.

Pledge of Assets

As at 31 March 2010, Next Media had pledged certain elements of the Group's Taiwanese property portfolio and printing equipment to Taiwan banks as security for bank loans granted to its Taiwan operations. The aggregate carrying value of these assets was HK$594.3 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 (ADPL), over amounts payable in respect of the construction of the facility. Separate legal action concerning the claim was taken against ADPL and Mr. Lai Chee Ying, Jimmy in the High Court during 2007.

Pursuant to the judgement issued by the High Court on 18 January 2008, the default judgement against ADPL had been set aside and the proceedings against ADPL had been referred to arbitration. UDL had been ordered to pay 20.0% of ADPL's costs on the application to set aside the default judgement. ADPL also obtained an order for the payment of all of its costs in relation to the application for a stay of proceedings to arbitration from UDL, and this amount was received in July 2008.

In connection with the acquisition of Database Gateway Limited and its subsidiaries (the Acquired Group) on 26 October 2001, Mr. Lai Chee Ying, Jimmy, 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 Chee Ying, Jimmy, also procured a bank guarantee of HK$60.0 million for a term of three years from 25 October 2007 in favour of the Company and the Acquired Group in respect of his obligations under the Indemnity.

The Directors are of the opinion that, in view of the Indemnity given by Mr. Lai Chee Ying, Jimmy, it is unlikely the Group would incur any liability if UDL were to pursue its various claims to their ultimate conclusion. It is therefore the opinion of the Directors 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 2010, 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 2010, 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 2010 was HK$2,247.3 million (31 March 2009: HK$1,981.6 million) against the corresponding carrying value of HK$1,300.9 million as at 31 March 2010 (31 March 2009: HK$1,300.9 million). Accordingly, a revaluation surplus of HK$946.4 million as at 31 March 2010 (31 March 2009: HK$680.7 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 in line with its expectations, given the fact that the markets in which it operates have been gradually recovering from the 2008 global economic crisis, which was one of the most severe and wide-ranging for many decades. It managed to withstand the turmoil and outperform most of its rivals. This has enabled it to maintain its leading status in the Hong Kong and Taiwan print media industries.

Apple Daily and *Taiwan Apple Daily* occupy the top spots as the most widely read newspapers in Hong Kong and Taiwan. *Next Magazine* and *Sudden Weekly Bundle* are the best-selling and most widely read weeklies in their respective categories in Hong Kong, while *FACE Bundle* remains a favourite weekly among the city's young people. *Taiwan Next Magazine* occupies an unassailable position in terms of its sales and readership.

All these titles have very loyal readerships who possess more attractive demographic profiles for advertisers than those of their competitors.

While continuing to emphasise print media as its core business, the Group is continuously seeking opportunities to extend the scope of its operations, especially in Taiwan, which it regards as an ideal location for the future development of its business.

Having scaled the heights of the island's newspaper and weekly magazine markets in the past decade, Next Media is now preparing to launch its first TV operation there. This exciting new venture will make the Next Media brand more comprehensive and competitive than ever; and it will create a synergy that will allow it to reach out to new audiences and advertisers in Taiwan.

The Group believes it will need to continue making significant investments in the early stages of the TV operation once it started broadcasting.

At the same time, the Group will continue to monitor and control its costs carefully in Hong Kong and Taiwan during the coming months. Even so, 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.

Next Media is confident it will retain its strong positions in the print media industry in both markets. These will allow it to capitalise on the rebound in the economic climate that is already underway, especially in terms of its ability to capture an increased amount of advertising revenue.

The past two years have been a period of unforeseen adversity, and they have underlined the importance of taking nothing for granted and always maintaining a prudent outlook. Next Media has taken these lessons to heart. Yet it is also optimistic that it will maintain its success in the long term, provided it adheres to its mission of focusing on the needs of its readers and advertisers.

Dividend

The Directors have resolved not to recommend the payment of a final dividend for the year (2008/09: Nil).

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.

CHANGE
WE CAN
BELIEVE IN

H1N1

AS A LEADING MEDIA COMPANY IN HONG KONG AND TAIWAN, NEXT MEDIA CONSTANTLY STRIVES TO STRENGTHEN COMMUNICATION WITH ITS INVESTORS. IT REWARDS THE TALENTS AND DEDICATION OF ITS PEOPLE, WHO ARE THE FOUNDATIONS FOR ITS SUCCESS; AND IT STRIVES TO BE A GOOD CORPORATE CITIZEN THAT SIGNIFICANTLY BENEFITS ALL THE COMMUNITIES IN WHICH IT OPERATES.

GROUP COMMITMENTS

STRENGTHENING INVESTOR RELATIONS

As a leading Chinese-language media company in Hong Kong and Taiwan, Next Media always strives to strengthen its relationships with its investors. We believe that open, transparent, and timely communication with them is part of our ongoing mission, and that it is central to achieving greater success in our business.

Our Directors and senior management team maintain ongoing dialogues about our performance and our business strategies with various interested parties, including research analysts and institutional investors. They do this by participating in briefings, meetings and company visits.

We provide up-to-date and comprehensive corporate information, in both English and Chinese, in the investor relations section of our website, *http://www.nextmedia.com*. This includes interim and annual reports, public announcements, circulars and press releases.

Annual general meetings are held to provide a platform for individual shareholders to exchange views with the Board, and to enable them to gain a deeper understanding of the Company and its development.

We also encourage and value feedback from our shareholders, who we regard as a source of valuable input and perspectives that enhance our continuous efforts to improve our performance. We invite them to send their questions and comments 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.

HEADCOUNT REPORT AS AT 31 MARCH 2010

48%	Newspapers Publication and Printing Division
25%	Books and Magazines Publication and Printing Division
14%	Television Division
2%	Internet Businesses Division
11%	Supporting Division & Others

EMPLOYEE WELL-BEING

Equal Opportunities, Fair Rewards

As of 31 March 2010, Next Media employed a total of 4,287 people in Hong Kong, Taiwan and Canada. This was 610 more than on the same date last year. Most of the additional employees were recruited to work on the Group's new television business in Taiwan.

Next Media believes that the talents and dedication of our team members are the foundations for our success and growth. We uphold the principle of equal opportunity by maintaining non-discriminatory recruitment policies, and we employ staff members purely on the basis of their relevant skills and experience.

We reward employees fairly for their outstanding performance and contributions to the Group's success. The remuneration package of each member of our staff is reviewed every year in light of his or her individual's responsibilities and the Group's business performance, together with internal benchmarks and prevailing market practices and conditions. At the same time, we offer special performance-related and variable pay-related rewards, such as year-end bonuses and a profit-sharing scheme, to team members who make exceptional contributions.

In addition, we encourage our employees to increase their professional and personal capabilities and advance in their careers, and we invest heavily in providing them with opportunities for professional growth and personal development. For instance, we make special educational subsidies available to those who wish to obtain further career-related qualifications. Also, regular in-house seminars are arranged to update the legal knowledge of our reporters and editors, and to teach them how to handle specific and sensitive issues that they may encounter in the course of their work.

On top of this, the Group offers a comprehensive range of employee benefits, including insurance and medical coverage and 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 Subscription Plan that offer them options and invitations to subscribe for shares in Next Media and its operating subsidiaries. All these measures help to maintain the commitment of our staff to strive for excellence and professionalism.

During the year under review, Next Media's staff-related costs, including retirement benefits, totalled HK$1,185.1 million, an increase of 3.0% on the previous year's figure of HK$1,150.3 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 staff members a pleasant and professional working environment. For example, our Hong Kong head office has a wide range of leisure facilities, including a cafeteria, open-air BBQ area and a superbly equipped fitness centre with a swimming pool and multi-function athletic court.

Moreover, we arrange many different types of staff activities. During the past year, these included:

- An annual dinner;
- A Christmas party;
- A New Year's Eve dinner buffet;
- Distribution of Chinese desserts on Mother's Day and Father's Day;
- A Mid-Autumn Festival fun day;
- Long-service awards to staff who completed 10, 15 and 20 years of service;
- A 20th anniversary celebration dinner party for *Next Magazine*; and
- Weekly yoga classes.

Next Media proactively safeguards the health of our staff members too. The commonly used equipment and ventilation system in our premises are regularly cleaned and maintained in order to ensure a clean and hygienic working environment, and we issue periodic health advice and guidelines to remind employees about the importance of personal hygiene.

To make the working environment even safer, during the past year we installed automated external defibrillators, and arranged for members of our Security Department to be properly trained and qualified to operate them. These portable devices can diagnose potentially life-threatening cardiac arrhythmias, and treat them by applying an electrical current to help the heart re-establishing an effective rhythm. Influenza vaccination programmes are organised during influenza seasons. All these 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 that 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.

Apple Daily supports the Foundation and its programmes by regularly publishing a column appealing for donations from readers, and by devoting space to promoting its charitable activities. The paper also donates 1.0% of its operating profits to the Foundation every month.

The Foundation began issuing a quarterly newsletter to publicise its good work during the fourth quarter of 2006. Copies of this are distributed by mail via the Haven of Hope Integrated Vocational Rehabilitation Services Centre.

The Foundation's online donation service at *http://www.charity.atnext.com/donate* was launched in July 2008, and it has become an increasingly popular method for readers to make donations to the Foundation. Last year, it accounted for about 22.0% of all the donations it received. The website also provides the public with comprehensive and transparent information, such as details of the individuals and charitable organisations who are benefiting from the Foundation's work, reports about the donations it receives and disburses, copies of its quarterly newsletter, and information about its forthcoming activities.

During the past year, the Foundation donated more than HK$2.5 million to support 88 social service projects for disadvantaged groups and numerous needy people.

A group photo of the students and teachers of Jiaba Village Apple Daily Charitable Foundation SA-PH Primary School.

The Chairman of the Foundation's Educational Fund Committee makes the opening speech at the 2009 Apple Daily Bursaries Award Ceremony on 5 December 2009.

In 1996, we also launched the Apple Bursaries Scheme, which provides direct financial support to needy students. In 2009, it has extended its coverage to include full-time undergraduate students at Hong Kong's 11 tertiary educational institutions. The scheme provided bursaries totalling HK$6.5 million to 2,059 primary and secondary school students and undergraduates during the past year.

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 NTD15.0 million from the newspaper. The Fund aims to assist less-privileged people on the island through direct financial support, subsidies for their medical and educational needs, and sponsorship of a variety of social service programmes. During the past year, *Taiwan Apple Daily* donated NTD2.2 million to the fund.

Serving the Community

Next Media's community service philosophy is based on the motto "Use what you receive from society in order to benefit society!" During the past year, it put this philosophy into practice via the following programmes:

Social service workers deliver food parcels and their warm wishes to elderly and disabled people.

Hong Kong

- "Caring about the underprivileged, and sharing festive joy with them" is another guiding principle of our community service. The Foundation donated HK$250,000 to support the launch of a new project – "Big Festive Meals" – which delivered meals during traditional Chinese festivals to more than 8,000 disadvantaged elderly people via 81 voluntary organisations.

- The Foundation continued to support the underprivileged by donating HK$1.1 million to the "Warm Action" programme, which distributed warm clothing and food parcels to over 15,000 elderly and disabled people and low-income families via 69 social organisations last winter.

- A donation of HK$85,000 by the Foundation helped to provide more than 11,000 rice dumplings to needy people during the Tuen Ng Festival; and it donated a further HK$450,000 to provide 30,000 mooncakes to them during the Mid-Autumn Festival.

- The reports we have published in *Apple Daily* have resulted in generous donations from its readers. They included:
  - HK$410,000 in donations for the family of Ah-man, a beloved son, husband and dad who continued to encourage others to cherish their lives through the writings in his blog, even though he was suffering from stomach cancer;
  - HK$150,000 in donations for the family of Sin Tze-man, a 63-year-old man who drowned after he fell into a sewage tank while he was working; and
  - HK$140,000 in donations for Ah-mui, who suffers from lung cancer and had been unable to afford the huge cost of the medical treatment she needed.
- The Group and its employees supported fundraising activities by two local charitable organisations – Amnesty International Hong Kong and Make-A-Wish® Hong Kong – during the past year.
- Next Media employees donated blood to the Hong Kong Red Cross Blood Transfusion Service.

Taiwan

- The Foundation raised approximately HK$150,000 (equivalent to NTD612,000) in Hong Kong to help the victims of Typhoon Morakot, which caused severe damage in Southern Taiwan in August 2009. Between them, *Taiwan Apple Daily* and *Taiwan Next Magazine* donated NTD9.8 million towards the cost of relief and reconstruction work. This money was given to the Taiwan Red Cross as soon as the typhoon hit the island.

Mainland China

- Our readers generously donated RMB208,800 to sponsor the reconstruction and purchase of equipment for the Jiaba Village Apple Daily Charitable Foundation SA-PH Primary School in Huishui Country, Guizhou Province. This project was completed in October 2009. The School's new two-storey building is equipped with a total of eight computer and audiovisual classrooms, and it provides a better teaching and learning environment for its 700-plus teachers and students.

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 years to come.

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.

Next Media became a member of the Forest Stewardship Council in 2009. This international non-profit, multi-stakeholder organisation was established in 1993 to promote the responsible management of the world's forests. Our membership means that we abide by its standards concerning the independent certification and labelling of forestry products, and ensuring that they come from socially and environmentally sustainable sources.

Next Media used 126,200 metric tonnes of newsprint for our newspapers and another 19,200 metric tonnes of paper for our magazines during the 2009/10 financial year. This was supplied by reputable major manufacturers in Canada, China, Norway, Japan and Sweden. All of them adhere strictly to manufacturing processes that create minimal impact on the environment and comply with the ISO14000 Environmental Management System Standard.

We also used approximately 1,866 tonnes of organic-based printing ink for our newspapers and 620 tonnes for our magazines during the year. This ink consists of a composite of resin and vegetable oil that fulfils environmental conservation objectives. Its manufacturer also complies with ISO14000 and 14001 Environmental Management System Standards, as well as with 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 90.0%. 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 waste paper 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 they are either recycled and/or environmentally responsible.

OUR ACHIEVEMENT

HONG KONG

The Society of Publishers in Asia (SOPA) 2009 Awards for Editorial Excellence
亞洲出版業協會
2009年度卓越新聞獎

Excellence in News Photography
卓越新聞攝影獎
Award of Excellence: *Apple Daily*
大獎: *《蘋果日報》*
主題: 雷曼苦主討血汗錢

Excellence in Information Graphics
卓越資訊圖像獎
Award of Excellence: *Apple Daily*
大獎: *《蘋果日報》*
主題: 四川大地震專版之震散豆腐渣教學樓

Excellence in Reporting Breaking News
卓越突發新聞獎
Honourable Mention: *Apple Daily*
優異: *《蘋果日報》*
主題: 鳳姐連環被殺案

Excellence in Feature Photography
卓越特寫相片獎
Honourable Mention: *Apple Daily*
優異: *《蘋果日報》*
主題: 水浸上環

Excellence in Editorial Cartooning
卓越漫畫獎
Honourable Mention: *Apple Daily*
優異: *《蘋果日報》*
主題: 等你一票

Consumer Rights Reporting Awards 2009
消費權益新聞報導獎2009

Category: News
組別: 新聞
Silver Award: *Apple Daily*
銀獎: *《蘋果日報》*
主題: 本報委託檢測中心化驗結果 香港蒙牛雀巢有毒

Certificate of Merit: *Apple Daily*
優異: *《蘋果日報》*
主題: 公廁大卷廁紙含菌爆燈

Category: Press Photo
組別: 新聞攝影
Certificate of Merit: *Apple Daily*
優異: *《蘋果日報》*
主題: 追討缺監管迷債


民建聯或支持動用特權法


四川大地震專版
無防震 無監管
震散豆腐渣教學樓

The 14th Annual Human Rights Press Awards
第十四屆人權新聞獎

General News
報章新聞

Special Merit: *Apple Daily*
優異獎: *《蘋果日報》*
主題: 21市民羅湖橋挺劉曉波 公安越境拘港示威

Special Merit: *Apple Daily*
優異獎: *《蘋果日報》*
主題: 濫權八指控俱遭否認 李婉儀母不滿「警察還是幫警察」

Features
報章特寫

Special Merit: *Apple Daily*
優異獎: *《蘋果日報》*
主題: 中共建政60年: 香港故事 當年黑五類 慨歎大陸現況:有飽飯食的監獄 及 偷渡開山當議員

Special Merit: *Apple Daily*
優異獎: *《蘋果日報》*
主題: 六四二十周年特輯之孩子這幅畫 老師不打分


大事不敢做 小事做不好

千人矢言劏身保衞菜園村

Spot News
突發新聞

Special Merit: *Apple Daily*
優異獎: *《蘋果日報》*
主題: 反對清拆菜園村

Special Merit: *Apple Daily*
優異獎: *《蘋果日報》*
主題: 爭取人權

Cartoon
漫畫

Special Merit: *Apple Daily*
優異獎: *《蘋果日報》*
主題: 孤寡也不放過

The 4th Chinese University Journalism Award
第四屆中大新聞獎

Category: News Group (Print Media)
組別: 新聞報導組(文字媒體)

Merit Award: *Apple Daily*
優異獎: *《蘋果日報》*
主題: 中央冷卻港人存人民幣

The 21st Hong Kong Print Awards
第二十一屆香港印製大獎

Newspaper Printing
報紙印刷

Champion: *Apple Daily*
冠軍: *《蘋果日報》*
得獎作品: *《蘋果日報》*

2008 to 2010 International Newspapers Color Quality Club

Membership Award: Apple Daily Printing Limited
會員獎: 蘋果日報印刷有限公司

TAIWAN

The Society of Publishers in Asia (SOPA) 2009 Awards for Editorial Excellence
亞洲出版業協會
2009年度卓越新聞獎

Excellence in Newspaper Design
卓越報章設計獎
Honourable Mention: *Taiwan Apple Daily*
優異: *《台灣蘋果日報》*
主題: 7死14失蹤 1颱斷6橋 山崩埋8車

Publish Asia 2009
亞洲媒體獎2009

Newspaper Front Page Design
最佳頭版設計
Silver Award: *Taiwan Apple Daily*
銀獎: *《台灣蘋果日報》*
主題: 7死14失蹤 1颱斷6橋 山崩埋8車

The 2009 (December) Taiwan Press Photography Competition
台灣新聞攝影研究會

News Figures
新聞人物
Winner, 2nd Runner-up and Merit: *Taiwan Apple Daily*
第一名、第三名及優選: *《台灣蘋果日報》*

Nature and Environment
自然與環境
Winner, 1st Runner-up, 2nd Runner-up and Merit:
Taiwan Apple Daily
第一名、第二名、第三名及優選: *《台灣蘋果日報》*

Photo Series
系列照片
Winner: *Taiwan Next Magazine*
第一名: *《台灣壹週刊》*

Merit: *Taiwan Apple Daily*
優選: *《台灣蘋果日報》*

Spot News
突發新聞
1st Runner-up: *Taiwan Apple Daily*
第二名: *《台灣蘋果日報》*

Portrait
肖像
Winner and Merit: *Taiwan Apple Daily*
第一名及優選: *《台灣蘋果日報》*

Feature Photography
圖文特寫
Winner and 2nd Runner-up: *Taiwan Apple Daily*
第一名及第三名: *《台灣蘋果日報》*

Arts and Entertainment News
藝術與娛樂新聞
Winner and 1st Runner-up: *Taiwan Apple Daily*
第一名及第二名: *《台灣蘋果日報》*


失業漢含淚吞飯
《蘋果》攝影囊括15獎項

The 2010 (March) Taiwan Press Photography Competition
台灣新聞攝影研究會

News Figures
新聞人物
Winner and 1st Runner-up: *Taiwan Apple Daily*
第一名及第二名: *《台灣蘋果日報》*

Nature and Environment
自然與環境
1st Runner-up, 2nd Runner-up and Merit: *Taiwan Apple Daily*
第二名、第三名及優選: *《台灣蘋果日報》*

Photo Series
系列照片
1st Runner-up, 2nd Runner-up and Merit: *Taiwan Apple Daily*
第二名、第三名及優選: *《台灣蘋果日報》*

Spot News
突發新聞
2nd Runner-up and Merit: *Taiwan Apple Daily*
第三名及優選: *《台灣蘋果日報》*

Photographer of the year
年度最佳攝影記者
2nd Runner-up: Yu Chi-wai, reporter of *Taiwan Apple Daily*
第三名: *《台灣蘋果日報》*記者余志偉

Portrait
肖像
Winner and Merit: *Taiwan Apple Daily*
第一名及優選: *《台灣蘋果日報》*


蘋果日報
7死14失蹤
1颱斷6橋 山崩埋8車

CORPORATE GOVERNANCE

NEXT MEDIA IS COMMITTED TO MAINTAINING HIGH STANDARD OF CORPORATE GOVERNANCE. IT STRONGLY BELIEVES THAT SOUND AND EFFECTIVE CORPORATE GOVERNANCE PRACTICES – WITH AN EMPHASIS ON ACCOUNTABILITY, TRANSPARENCY, FAIRNESS AND INTEGRITY – ENSURE THE COMPANY'S LONG-TERM BUSINESS SUCCESS, AND ULTIMATELY ADVANCE SHAREHOLDERS' INTERESTS.

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 contained in Appendix 14 of the Listing Rules of the Stock Exchange, as well as other applicable requirements in the Listing Rules.

CORPORATE GOVERNANCE PRACTICES

The Code sets out the Stock Exchange's views on the principles of good corporate governance. It makes two levels of recommendations:

- Code Provisions, which issuers are expected to comply with or provide reasons for any deviation; and
- Recommended Best Practices, which issuers are encouraged to comply with, but which are provided for guidance only.

The Company has complied with all the applicable provisions of the Code throughout the year ended 31 March 2010, except for Code provision E.1.2. Due to another business engagement, the Chairman of the Board did not attend the 2009 AGM held on 20 July 2009. Instead, Mr. Chu Wah Hui, an ED and the CEO, chaired the 2009 AGM in accordance with the provisions of Next Media's Articles of Association.

BOARD OF DIRECTORS

The Board is chaired by Mr. Lai Chee Ying, Jimmy (the Chairman). As of 31 March 2010, the Board consisted of eight members, of whom five were EDs and three were INEDs.

Role of the Board

The Board's primary role is to promote the Group's success and deliver sustainable long-term value to Shareholders. It plays a key role in decisions related to:

- Formulating the Group's strategic objectives;
- Directing and monitoring the management in pursuit of the Group's strategic objectives;
- Ensuring a sound risk-management control system; and
- Approving the Group's major financial decisions and other significant issues.

The day-to-day management, administration and operation of the Group's business activities and the implementation of its polices are delegated to the management of the Company and its subsidiaries. The Board fully supports and allows the management autonomy to run and develop the Group's business. However, it also periodically reviews the powers delegated to the management, to ensure that they remain appropriate.

Board Composition

As of 31 March 2010, the Board's five EDs were Mr. Lai Chee Ying, Jimmy, Mr. Chu Wah Hui, Mr. Cheung Ka Sing, Cassian, Mr. Ting Ka Yu, Stephen and Mr. Ip Yut Kin. Its three INEDs were Mr. Fok Kwong Hang, Terry, Mr. Wong Chi Hong, Frank and Dr. Lee Ka Yam, Danny.

During the year under review, all the INEDs complied 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 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.

In addition, none of the members of the Board was related to any of the others.

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

Chairman and Chief Executive Officers

The posts of Chairman and CEOs are distinct and separate, with a clear division of their responsibilities. The Chairman's role is to provide leadership in order to enable the Board to discharge its functions effectively, while the CEOs focus on managing and controlling the Group's business.

Mr. Chu Wah Hui was appointed as the CEO on 2 October 2008. He and the Co-CEO, Mr. Cheung Ka Sing, Cassian, are responsible for formulating the Group's strategies, and they lead its management and operation unit heads in achieving the goals set by the Board, with a focus on enhancing long-term shareholder value. He is also in charge of the Group's day-to-day management and operations, and leads its experienced and high-calibre management team in ensuring that Next Media operates in accordance with its strategies.

On 1 February 2010, Mr. Cheung Ka Sing, Cassian was re-designated from a NED to an ED, and he was appointed as the Co-CEO. Apart from his responsibilities mentioned above, he is also responsible for the Group's animation and interactive businesses, and any other new businesses as directed by the Chairman and the Board.

Appointment, Re-election and Removal of Directors

Articles 84 and 85 of the Articles of Association requires 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 each AGM. During the year ended 31 March 2010, Mr. Ip Yut Kin retired and was re-elected as a Director at the 2009 AGM.

Furthermore, under Article 79 of the Articles of Association, all new Directors appointed to fill casual vacancies during the year shall only hold office until the next AGM, and they shall be eligible for re-election. Accordingly, Mr. Chu Wah Hui (who was appointed on 2 October 2008), Mr. Cheung Ka Sing, Cassian (who was appointed on 24 November 2008), Mr. Wong Chi Hong, Frank (who was appointed on 30 January 2009) and Dr. Lee Ka Yam, Danny (who was appointed on 9 March 2009) retired and were re-elected as Directors at the 2009 AGM.

In view of the Board's current size, each ED has an average term of office of three years. All EDs have entered into service contracts with members of the Group that can be terminated by the Company giving them a period of notice of not more than one year.

None of the INEDs has entered into a service contract with any member of the Group. They have been appointed as INEDs for a fixed term of two years from the date of their appointment, or the date of the renewal of their appointment, whichever is applicable. Details are as follows:

Name/Capacity	Term of Appointment
Mr. Fok Kwong Hang, Terry, INED	01.04.2009 to 31.03.2011
Mr. Wong Chi Hong, Frank, INED	30.01.2009 to 29.01.2011
Dr. Lee Ka Yam, Danny, INED	09.03.2009 to 08.03.2011

Board Activities

The Board holds regular quarterly meetings 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 Directors' request. The dates of Board meetings for each year are usually proposed by the Company Secretary and agreed to by all the Directors during the third quarter of the previous year. The Board's proceedings are well defined, and they follow the Code's applicable recommended best practices. The draft agendas for regular board meetings are prepared by the Company Secretary and approved by the CEOs. The Directors are informed about the draft agenda's contents in advance, and consulted about any additional items they wish to propose including on it. During each regular board meeting, the EDs and senior management report to the Board on their respective areas of business, including its operations, progress of projects, financial performance and corporate governance and compliance.

The Company Secretary prepares written resolutions and minutes, and keeps records of matters discussed and decisions resolved at board meetings. Draft minutes and resolutions of the Board are sent to all Directors for comment in a timely manner. Original minutes and resolutions of the Board are placed on record and kept by the Company Secretary. These are available for inspection by the Directors upon request.

Below is an overview of the dates of the various board meetings and its members' attendance record during the year:

	Numbers of Meetings Attended/Held	
	Board Meetings	**Audit Committee Meetings**
Executive Directors		
Lai Chee Ying, Jimmy (Chairman)	3/4 (75%)	N/A
Chu Wah Hui (CEO)	4/4 (100%)	N/A
Cheung Ka Sing, Cassian (Co-CEO)[Note]	4/4 (100%)	N/A
Ting Ka Yu, Stephen (COO and CFO)	4/4 (100%)	N/A
Ip Yut Kin	4/4 (100%)	N/A
Independent Non-executive Directors		
Fok Kwong Hang, Terry	4/4 (100%)	4/4 (100%)
Wong Chi Hong, Frank	4/4 (100%)	4/4 (100%)
Lee Ka Yam, Danny	4/4 (100%)	4/4 (100%)
Dates of Meetings	05.06.2009	01.06.2009
	21.09.2009	04.09.2009
	30.11.2009	23.11.2009
	22.03.2010	22.03.2010

Note: On 1 February 2010, Mr. Cheung Ka Sing, Cassian was re-designated from a NED to an ED and appointed as the Co-CEO.

COMMITTEES OF THE BOARD

The Board has established an Audit Committee, Remuneration Committee and several other committees as integral elements of good corporate governance and to oversee relevant aspects of the Company's affairs. Due to its small size, the Board has not established a nomination committee. Instead, it will carry out proper procedures for selecting and recommending candidates for directorships, as and when required.

Audit Committee

(i) 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 response to amendments made to the Listing Rules, which took effect on 1 January 2009, and to ensure its continued full compliance with them, the Board adopted revised terms of reference for the Audit Committee at its meeting held on 17 March 2009.

The Audit Committee's current membership consists solely of INEDs, namely, Mr. Fok Kwong Hang, Terry, Mr. Wong Chi Hong, Frank and Dr. Lee Ka Yam, Danny. None of them is, or has previously been, a member of the Company's current or previous external auditor. The Chairman of the Audit Committee, Dr. Lee Ka Yam, Danny, possesses the professional qualifications and financial management expertise required under the Listing Rules.

(ii) Audit Committee Functions

The Audit Committee meets regularly with the external auditor, professional advisers and management team to assist the Board in overseeing the Group's financial reporting, the appointment of the auditor and its fees, and the effectiveness of the Group's 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*.

(iii) Audit Committee Activities

During the year under review, all the members of the Audit Committee attended all its four meetings, together with the external auditor and in the absence of the EDs. The meetings reviewed the following matters before they were submitted to the Board for its consideration:

- The Group's audited financial statements for the year ended 31 March 2009;
- Valuation of mastheads and publishing rights of the Group's publications;
- The audit-related and non-audit-related services proposed by the Company's external auditor for the year ended 31 March 2010;

- The Group's interim financial statements for the six months ended 30 September 2009; and

- Internal control review progress reports, as of 11 November 2009 and 3 March 2010.

The Deputy CFO and the Company's Financial Controller were also invited to attend these meetings in order to give a full account of the financial statements and answer the Audit Committee's questions. The Audit Committee reviews the nature of the service fees and independence of the external auditor on an annual basis. Working closely with the external auditor and a professional firm, the Audit 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 Audit Committee, and highlighted any significant issues.

Remuneration Committee

(i) 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.

Mr. Ting Ka Yu, Stephen resigned as a member of the Remuneration Committee on 1 January 2010. As of 31 March 2010, the Remuneration Committee consisted solely of INEDs, namely, Mr. Fok Kwong Hang, Terry, Mr. Wong Chi Hong, Frank and Dr. Lee Ka Yam, Danny.

(ii) 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. It 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, the Articles of Association, and applicable legislation.

(iii) Remuneration Committee Activities

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

- Variation of the remuneration package of Mr. Lai Chee Ying, Jimmy under an employment contract with Apple Daily Publication Development Limited (ADPDL), a subsidiary of Next Media, up to 31 August 2009;
- Renewal of the employment contract of Mr. Lai Chee Ying, Jimmy with ADPDL for a three-year term commencing on 1 September 2009;
- The remuneration package of the Co-CEO, Mr. Cheung Ka Sing, Cassian; and
- The fees of the Directors for the year ended 31 March 2010.

Other Committees

(i) A Board Committee consisting of any two of the EDs was established in June 2003. Its role is to approve the issue and allotment of shares pursuant to share option schemes and the Subscription Plan from time to time; and

(ii) A Sub-committee consisting of the financial heads of all the major business units, Company Secretary, Deputy CFO and Financial Controller was established in September 2000. Its role is to review connected transactions and ensure that they comply with the Listing Rules and other relevant legislation.

TRANSPARENCY AND FAIRNESS

Material Interests

The Directors are requested to declare their direct or indirect interests, if any, in any matters or transactions to be considered at Board or committee meetings. They may not vote on any resolution of the Board or committees if they have such an interest, and they may not be counted in the quorum for such a vote.

Each Board member is required to make a disclosure to Next Media every six months regarding the number and nature of the offices they hold in other public companies or organisations. They are also required to declare all their other significant commitments, including the identity of the public companies or organisations concerned. During the year under review, apart from Mr. Chu Wah Hui and Mr. Cheung Ka Sing, Cassian, none of the EDs held any directorships or offices in any other public companies or organisations.

Mr. Chu Wah Hui is currently a director and a member of the nominating and corporate governance committee of Mettler-Toledo International Inc., a U.S. corporation listed on the New York Stock Exchange. He is also a non-executive director and member of the nomination committee of Li Ning Company Limited, a company incorporated in the Cayman Islands with its shares listed on the Stock Exchange. Mr. Cheung Ka Sing, Cassian is currently an adjunct professor and an advisory board member of the Hong Kong University of Science and Technology Business and Management School. He is also an independent non-executive director of Trinity Limited, a company listed on the Stock Exchange.

Securities Transactions

Next Media originally adopted the Model Code in April 2004. During the year, the Model Code was revised to extend the "blackout" period for the dealings of a company's directors in its securities. The Company therefore adopted the revised version with effect from 1 April 2009, by means of a written resolution that was unanimously approved by the Members of the Board.

The Model Code requires the Directors to notify Mr. Chu Wah Hui, its designated director and CEO, and receive a dated written acknowledgement from him, before they deal in its securities and derivatives. Mr. Chu Wah Hui is required to notify Mr. Lai Chee Ying, Jimmy, the Chairman, and receive a dated written acknowledgment from him, before he makes any such dealings.

Following specific enquiries by the Company, all Directors have confirmed that they fully complied with the required standards of the Model Code for the year ended 31 March 2010.

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.

Voting by poll

The Company has conducted all voting at general meetings by poll since 2004. At the 2009 AGM, the Chairman of the meeting likewise demanded voting by poll on all the resolutions put to the meeting. The Shareholders' rights and procedures for demanding a poll were set out in a circular sent to the Shareholders within the stipulated timeframe, and they were explained to those present at the start of the 2009 AGM. To ensure the votes were counted correctly, Computershare Hong Kong Investor Services Limited, the Company's share registrar, was appointed as the scrutineer for the voting by poll at the 2009 AGM. The poll results were announced and posted on both the Stock Exchange and Company websites on the same day.

Following the relevant resolutions passed at the 2009 AGM, the Articles of Association were amended to comply with Rule 13.39(4) of the Listing Rules, which became effective on 1 January 2009, and which requires any shareholders' vote at a general meeting to be conducted by poll.

Independent and professional advice

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.

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 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.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

AUDIT, CONTROL AND RISK MANAGEMENT

External Auditor

Deloitte Touche Tohmatsu has been the Company's external auditor for the six consecutive years since 2004. During the year ended 31 March 2010, the total fees paid and payable to the external auditor for non-audit-related services amounted to HK$939,000. This sum included HK$439,000 for taxation services and HK$500,000 for a review of the Group's interim results for the six months ended 30 September 2009.

Internal Controls

Since 1 April 2006, 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 2010, the Board engaged Ernst & Young Advisory Services Limited to conduct a review of controls over Next Media's financial, operational, compliance and risk management, in order to identify and prioritise 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 the Shareholders. The Company's AGM provides a forum at which Board members and Shareholders can 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 EDs but also the Chairmen of the relevant committees or, in their absence, members of the committees.

Details of voting procedures are included in the Company's circulars to Shareholders.

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 EDs and members of the senior management to act as its representatives in meetings 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 62, has been a Director and Chairman of the Company since 1999 and he is responsible for formulating and implementing the Group's 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 and the CEO since October 2008. Mr. Chu, in conjunction with the Co-CEO, Mr. Cheung Ka Sing, Cassian, 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 and a nominating and corporate governance committee member of Mettler-Toledo International Inc. and a non-executive director and a member of the nomination committee 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.A.

Mr. Cheung Ka Sing, Cassian, aged 54, a NED since November 2008, has been re-designated as an ED and appointed as the Co-CEO in February 2010. Mr. Cheung, in conjunction with the CEO, Mr. Chu Wah Hui, 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. Cheung 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 on the advisory boards of several Chinese and European companies in the advertising and marketing fields and is an independent non-executive director of Trinity Limited, a company listed on the Stock Exchange.

Mr. Cheung started his career with Nestle in the U.S.A. and had held various senior management positions in Quaker Oats Asia and Wal-Mart.

Mr. Cheung attended universities in the U.S.A. and received a Master of Management degree from the Northwestern University Kellogg School of Management.

Mr. Ting Ka Yu, Stephen, aged 50, has been a Director since October 1999. He is currently the COO and CFO. 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 58, has been a Director 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Fok Kwong Hang, Terry, aged 54, has been a Director since June 2000. He holds both M.Sc. and MBA degrees from the University of Wisconsin, U.S.A. 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 55, has been a Director 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.A. 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 Governor of the American Chamber of Commerce in Hong Kong.

Dr. Lee Ka Yam, Danny, aged 48, has been a Director 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 U.K., 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 68, is currently the Chairman of *Apple Daily*. He was a Director 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 U.S.I.S., Hong Kong, BBC in London, *Reader's Digest* and *Ming Pao*.

Mr. Tu Nien Chung, James, aged 58, 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, U.S.A. Mr. Tu has extensive experience in journalism, both in the U.S.A. and Taiwan.

Mr. Peir Woei, aged 49, has been the Publisher of *Taiwan Next Magazine* since March 2005. Mr. Peir had more than 14 years of experience in journalism and graduated from National Taiwan Ocean University with a Bachelor's degree in Marine Transportation.

Ms. Yu Wing San, Sandy, aged 51, 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, Asia Television Limited, Star East Holdings Limited and i-CABLE Communications Limited.

Mr. Chow Tat Kuen, Royston, aged 52, is currently the Deputy CFO, 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. Lee Chi Ho, aged 44, 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 49, is currently the Chief Executive Officer of *Sudden Weekly Bundle* – which consists of *Sudden Weekly, Eat and 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, P.R.C., with a Bachelor's degree in Linguistics and Arts.

Mr. Yan Ming Wai, Daniel, aged 41, 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 19 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 44, is currently the Company Secretary of the Group. Prior to joining the Group, she worked with various listed companies on corporate compliance and corporate finance. She holds a Bachelor of Arts degree in Accountancy from the City University of Hong Kong, a Bachelor of Laws degree from the University of London, and a Master's degree in Management from the Macquarie University in Sydney, Australia. Ms. Wong is an associate member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Lai Chee Ying, Jimmy (Chairman)
Chu Wah Hui (CEO)
Cheung Ka Sing, Cassian (Co-CEO) *
Ting Ka Yu, Stephen (COO and CFO)
Ip Yut Kin

Independent Non-executive Directors

Fok Kwong Hang, Terry
Wong Chi Hong, Frank
Lee Ka Yam, Danny

AUTHORISED REPRESENTATIVES

Chu Wah Hui
Ting Ka Yu, Stephen

COMPANY SECRETARY

Wong Shuk Ha, Cat

AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
The Shanghai Commercial & Savings Bank Limited
DBS Bank (Hong Kong) Limited
Standard Chartered 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: Company's registered office address
Fax: (852) 2623 9386
E-mail: *ir@nextmedia.com*

WEBSITE

http://www.nextmedia.com

* On 1 February 2010, Mr. Cheung Ka Sing, Cassian had been re-designated from a Non-executive Director to an ED and appointed as the Co-CEO.

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 websites. 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 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% local content, the two titles have quickly seized leading positions in the island's weekly magazine and daily newspaper markets. In 2006, we launched *Sharp Daily*, our first free 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.

We are now further expanding Next Media's horizons in Taiwan by establishing our first-ever TV network there. Construction of its new building, which is equipped with state-of-the-art studio facilities, has been completed and a team of top-calibre professionals has been recruited. The new channels are scheduled to begin broadcasting in the coming months. The launch of the TV network will make the Next Media 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 DIVISION

- *Apple Daily*
- *Taiwan Apple Daily*
- *Sharp Daily*
- Newspaper Printing

BOOKS AND MAGAZINES PUBLICATION AND PRINTING DIVISION

- *Next Magazine*
- *Sudden Weekly Bundle* (*Sudden Weekly*, *Eat and Travel Weekly* and *ME!*)
- *FACE Bundle* (*FACE*, *AutoExpress* and *Trading Express*)
- *Taiwan Next Magazine*
- Magazine Printing
- Book, Calendar and Catalogue Printing

TELEVISION DIVISION

- *Next TV*

INTERNET BUSINESSES DIVISION

- *nextmedia.com*
- *appleactionews.com*
- *mobile.appledaily.com.hk*
- *VDOnext.com*

SHARE INFORMATION

as at 31 March 2010

Shareholders of Ordinary Shares

Mr. Lai Chee Ying, Jimmy	74.04%
Directors other than Mr. Lai Chee Ying, Jimmy	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	14,600,000 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	10,400,000 Option Shares
at an exercise price of HK$1.070 each	400,000 Option Shares
at an exercise price of HK$1.064 each	9,000,000 Option Shares
at an exercise price of HK$1.110 each	4,500,000 Option Shares

Market Capitalisation

at HK$1.15 per Ordinary Share (closing price on 31 March 2010)	HK$2.77 billion

Stock Code

The Stock Exchange of Hong Kong Limited Main Board	282

Board Lot

2,000 Ordinary Shares

DIRECTORS' REPORT

The Directors or the Board present their report and financial statements for the year ended 31 March 2010.

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATIONS

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

The Group's performance for the year is analysed by business and geographical segments in note 8 to the Financial Statements. The Management Discussion and Analysis on pages 13 to 29 describes the material factors underlying the Group's performance and its financial position.

RESULTS AND APPROPRIATIONS

The Group's results for the year are set out in the consolidated statement of comprehensive income on page 79.

No interim dividend was paid to the Shareholders during the year (2009: Nil).

The Directors have resolved not to recommend the payment of a final dividend for the year (2009: Nil).

PROPERTY, PLANT AND EQUIPMENT

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

FIVE-YEAR FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the last five financial years is set out on page 154.

SHARE CAPITAL

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

RESERVES

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

DISTRIBUTABLE RESERVES

As at 31 March 2010, the Company's distributable reserves (calculated in accordance with section 79B of the Hong Kong Companies Ordinance) amounted to HK$357,318,000 (2009: HK$347,804,000).

MAJOR CUSTOMERS AND SUPPLIERS

The Group's five largest customers accounted for 41.1% of its revenue, and its five largest suppliers accounted for 33.1% of its total purchases during the year. The Group's largest customer accounted for 33.8% of its revenue, and its largest supplier accounted for 13.9% of its total purchases during the year.

None of the Directors, their associates or Shareholders (which to the knowledge of the Directors own more than 5.0% of the Company's share capital), had an interest in any of the abovementioned suppliers or customers.

DONATIONS

Donations for charitable and other purposes made by the Group during the year amounted to HK$4,866,000 (2009: HK$3,604,000).

SHARE INCENTIVE SCHEMES

(a) Company Share Option Schemes

2000 Share Option Scheme

The Company adopted its 2000 Share Option Scheme on 29 December 2000, and it was amended to comply with the requirements of Chapter 17 of the Listing Rules on 31 July 2002. The limit to the number of Shares that may be issued upon exercise of all the options to be granted was refreshed to 10.0% of the Company's issued ordinary share capital as at 31 July 2002. The 2000 Share Option Scheme was terminated by the Shareholders at the 2007 AGM. However, options granted under the 2000 Share Option Scheme that remained unexpired will continue to be exercisable in accordance with their terms of issue. The key terms of the 2000 Share Option Scheme are summarised below:

1. The purpose of the 2000 Share Option Scheme is to provide participants with an 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 all Shareholders.

2. The participants shall 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 options granted and to be granted to each participant (including both exercised and outstanding options) during any 12-month period shall not exceed 1.0% of the Shares in issue. Any additional grants of options in excess of this limit shall be subject to separate approval by the Shareholders in a general meeting, with the participants and their associates abstaining from voting.

4. The Board may, at its absolute discretion, determine the period in which the option must be exercised at the time of the grant, provided that this period does not expire more than 10 years after the date on which the 2000 Share Option Scheme was adopted.

5. The period in which an option must be held before it can be exercised shall be determined by the Board at the time of the grant.

(a) Company Share Option Schemes (continued)

2000 Share Option Scheme (continued)

6. The exercise price per Share shall be not less than the highest of: (i) the closing price of the Share stated in the daily quotation sheets issued by the Stock Exchange on the date of the grant; (ii) the average closing price of the Share stated in the daily quotation sheets issued by the Stock Exchange for the 5 trading days immediately prior to the date of the grant; or (iii) the nominal value of the Share on the date of the grant.

7. The table below sets out details of changes in options under the 2000 Share Option Scheme during the year:

Name or category of participant	Date of grant	Exercise price per Share	Vesting date (%)	Exercisable period	Balance as at 01.04.2009	Lapsed during the year	Balance as at 31.03.2010
Director							
Ting Ka Yu, Stephen	18.03.2002	HK$1.670	18.03.2003 (30%) 18.03.2004 (60%) 18.03.2005 (100%)	19.03.2003 – 28.12.2010	1,618,000	–	1,618,000
Employees							
In aggregate	18.03.2002	HK$1.670	18.03.2003 (30%) 18.03.2004 (60%) 18.03.2005 (100%)	19.03.2003 – 28.12.2010	656,000	–	656,000
	24.08.2005	HK$3.325	24.08.2006 (30%) 24.08.2007 (60%) 24.08.2008 (100%)	25.08.2006 – 28.12.2010	1,000,000	–	1,000,000
	06.12.2006	HK$3.102	06.12.2007 (30%) 06.12.2008 (60%) 06.12.2009 (100%)	07.12.2007 – 28.12.2010	17,850,000	(3,250,000)	14,600,000
	06.12.2006	HK$3.102	06.12.2007 (20%) 06.12.2008 (40%) 06.12.2009 (60%) 06.12.2010 (100%)	07.12.2007 – 28.12.2010	1,000,000	(1,000,000)	–
	08.01.2007	HK$2.784	08.01.2008 (30%) 08.01.2009 (60%) 08.01.2010 (100%)	09.01.2008 – 28.12.2010	600,000	–	600,000
	09.03.2007	HK$2.760	09.03.2008 (30%) 09.03.2009 (60%) 09.03.2010 (100%)	10.3.2008 – 28.12.2010	400,000	–	400,000
Total outstanding					23,124,000	(4,250,000)	18,874,000

Apart from the abovementioned movements, no options under the 2000 Share Option Scheme were exercised or cancelled during the year ended 31 March 2010.

SHARE INCENTIVE SCHEMES (continued)

(a) Company Share Option Schemes (continued)

2007 Share Option Scheme

On 30 July 2007, the Company adopted the 2007 Share Option Scheme. Its terms comply with the requirements of Chapter 17 of the Listing Rules. The most important of these are as follows:

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 Shares, for the benefit of the Company and all Shareholders.

2. The participants are directors (including executive directors, non-executive directors and independent non-executive directors) and full-time employees of the Group, as well as any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint-venture business partners, promoters and providers of services to the Group whom the Board considers, at its sole discretion, to have contributed to the Group in the past, or who will contribute to it in the future.

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) during any 12-month period shall not exceed 1.0% of the Shares in issue. Any additional grant of options in excess of this limit must be subject to separate approval by the Shareholders in a general meeting, with the participants and their associates abstaining from voting.

4. The period of a particular option is the period during which the option can be exercised. This period shall be determined by the Board and notified to each grantee at the time when an offer is made. In any event, this period shall not expire later than 10 years from the date of the grant.

5. The exercise price per Share shall be determined by the Board at its absolute discretion, but in any event it shall not be less than the highest of: (i) the closing price of the Share as stated in the daily quotation sheets issued by the Stock Exchange on the date of the grant; (ii) the average closing price of the Share as stated in the daily quotation sheets issued by the Stock Exchange on the 5 trading days immediately preceding the date of the grant; or (iii) the nominal value of the Share on the date of the grant.

6. The total number of Shares that may be issued upon the exercise of all the options to be granted under the 2007 Share Option Scheme and any of the Company's other share option schemes shall not exceed 10.0% in nominal amount of the aggregate of Shares in issue on 30 July 2007, the adoption date of the 2007 Share Option Scheme, subject to a refresher of the scheme's mandate limit.

7. The Company may refresh the scheme mandate limit at any time, subject to prior approval by the Shareholders in a general meeting. But in any event, the limit shall not exceed 10.0% of the Shares in issue on the date when it was approved by the Shareholders.

SHARE INCENTIVE SCHEMES (continued)

(a) Company Share Option Schemes (continued)

2007 Share Option Scheme (continued)

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

Name or category of participant	Date of grant	Exercise price per share	Vesting date (%)	Exercisable period	Balance as at 01.04.2009	Granted during the year	Balance as at 31.03.2010
Directors							
Chu Wah Hui	02.10.2008	HK$1.880	02.10.2009 (100%)	03.10.2008 – 01.10.2013	10,000,000	–	10,000,000
	02.10.2009	HK$1.000	02.10.2010 (100%)	03.10.2009 – 01.10.2014	–	10,000,000	10,000,000
Cheung Ka Sing, Cassian	01.02.2010	HK$1.064	01.02.2011 (100%)	02.02.2010 – 31.01.2013	–	9,000,000	9,000,000
Employees and Advisor							
In aggregate	20.01.2009	HK$1.000	05.01.2010 (100%)	06.01.2009 – 04.01.2014	400,000	–	400,000
	05.01.2010	HK$1.070	05.01.2011 (100%)	06.01.2010 – 04.01.2015	–	400,000	400,000
	01.03.2010	HK$1.110	01.03.2011 (100%)	02.03.2010 – 28.02.2015	–	500,000	500,000
	01.03.2010	HK$1.110	02.03.2011 (50%) 02.03.2012 (100%)	02.03.2010 – 29.07.2017	–	4,000,000	4,000,000
Total outstanding					10,400,000	23,900,000	34,300,000

Apart from the abovementioned movements, no options were exercised, lapsed or cancelled under the 2007 Share Option Scheme during the year ended 31 March 2010.

SHARE INCENTIVE SCHEMES (continued)

(a) Company Share Option Schemes (continued)

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

The Company has used the Binomial Model for assessing the fair values of the options granted during the year ended 31 March 2010. This is an appropriate method for assessing the fair value of an option that can be exercised before the expiry of the option period. The values of the respective options granted during the year ended 31 March 2010 were calculated as follows:

Date of grant	No. of options granted	Closing price per Share immediately prior to the date of grant (HK$)	Risk-free rate	Expected life (years)	Expected volatility	Expected dividend yield	Fair value per option (HK$)	Remarks
02.10.2009	10,000,000	0.990	1.6%	5.00	50.7%	5.8%	0.2664	
05.01.2010	400,000	1.050	2.0%	5.00	49.8%	5.8%	0.2873	
01.02.2010	9,000,000	1.060	1.0%	3.00	57.4%	5.9%	0.2566	
01.03.2010	500,000	1.100	1.7%	5.00	49.6%	5.8%	0.2772	
	4,000,000	1.100	2.3%	7.42	47.3%	4.1%	0.2936	(Note)

Note 50% of the 4,000,000 options granted to an advisor on 1 March 2010 will vest on 2 March 2011, while the remaining 50% will vest on 2 March 2012. Its fair value per option stated above is an averaged fair value of such options.

An amount of HK$1,810,000 was recognised in the consolidated statement of comprehensive income for the year ended 31 March 2010 in respect of the values of options granted during the year (2009: HK$1,751,000).

When calculating the fair value of the options, no allowance was made for forfeiture prior to vesting. It should be noted that the value of an option varies according to the different variables of certain subjective assumptions, and changes in the variables adopted may materially affect the fair value estimate.

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

(b) Subsidiary Share Option Schemes

On 12 June 2009, Aim High Investments Limited (AHIL), a wholly owned subsidiary of the Company, adopted a share option scheme.

During the year, the following subsidiaries of the Company had their own respective share option schemes (collectively referred to as Subsidiary Share Option Schemes). Their terms of reference complied with the requirements of Chapter 17 of the Listing Rules.

Name of subsidiary	Adoption date	Share option scheme title
Apple Daily Publication Development Limited (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)	20 February 2008	2008 ACIL Share Option Scheme
Next Media Animation Limited (NMAL)	20 February 2008	2008 NMAL Share Option Scheme
Next Media Webcast Limited (NMWL)	20 February 2008	2008 NMWL Share Option Scheme
AHIL	12 June 2009	2009 AHIL Share Option Scheme

The terms of the above Subsidiary Share Option Schemes are broadly similar. The most important of them can be summarised as follows:

1. The purpose of each of the schemes is to provide its participants with an opportunity to acquire a proprietary interest in the subsidiary concerned, and to encourage them to work towards enhancing the value of the subsidiary and its shares, for the benefit of the subsidiary and all its shareholders.

2. The participants in the schemes include any full-time employees and directors of the subsidiary or any of its subsidiaries, and any person whom the board of directors of the subsidiary considers to be capable of enhancing its operation or value.

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) during any 12-month period shall not exceed 1.0% of the shares in issue. Any additional grants of options (including redeemed, cancelled and outstanding options) to participants that exceed 1.0% of the shares in issue shall be subject to the approval of the subsidiary’s shareholders. Also, for as long as a subsidiary remains a subsidiary of the Company, such additional grants of options shall require the approval of the Shareholders in advance. In both cases, the participants and their associates shall abstain from voting.

SHARE INCENTIVE SCHEMES (continued)

(b) Subsidiary Share Option Schemes (continued)

4. The board of directors of the subsidiary may, at its absolute discretion, determine the period within which the option must be exercised, provided that it does not extend beyond the date on which the subsidiary or its intermediate holding company or other such company holding the business conducted or to be conducted by the subsidiary and its subsidiaries is listed on an internationally recognised stock exchange in Hong Kong or elsewhere (a listing) or the 10th anniversary of the scheme's adoption date, whichever is the earlier.

5. The period for which an option must be held before it can be exercised shall be determined by the subsidiary's board of directors.

6. The exercise prices of the Subsidiary Share Option Schemes shall be determined solely by the board of directors of the subsidiary concerned, but it shall always be higher than or equal to the nominal value of a share. The subscription price for a share under any option that is granted after a subsidiary has resolved to seek a listing or within six months prior to the lodgement of an application for a listing with the relevant stock exchange shall not be less than (i) the issue price of a share in the listing; or (ii) the nominal value of a share of the subsidiary, whichever amount is the greater.

7. The maximum number of shares that may be issued upon the exercise of all the options to be granted shall be 10.0% of the subsidiary's issued share capital on the date of the scheme's adoption. Options that lapse in accordance with the terms of subsidiary share option schemes shall not be included in the calculation of the scheme mandate limit. However, the scheme mandate limit may be refreshed at any time, subject to the prior approval of the shareholders of the subsidiary, as well as the prior approval of the Shareholders for as long as the subsidiary remains a subsidiary of the Company.

8. The terms of a subsidiary share option scheme shall expire on either (a) the date of the listing; or (b) the 10th anniversary date of its adoption, whichever is the earlier. No further options shall be granted and no options may be exercised after this date.

9. If, due to a listing, the stock exchange concerned prohibits the exercise of an option by the grantee at the exercise price set out above, the subsidiary shall redeem the option for a cash consideration equal to the final issue price of a share of the subsidiary in the listing. The cash consideration shall be paid to the grantee within 30 days of the date of the listing.

(b) Subsidiary Share Option Schemes (continued)

10. The tables below set out movements in 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	Vesting date (%)	Exercisable period	Balance as at 01.04.2009	Granted during the year	Exercised during the year	Balance as at 31.03.2010
Director								
Ip Yut Kin	14.10.2009	HK$0.010	01.12.2009 (100%)	01.12.2009 – 31.03.2010	–	16,688	(16,688)	–
Total outstanding					–	16,688	(16,688)	–

2008 ACIL Share Option Scheme

Name or category of participant	Date of grant	Exercise price per share	Vesting date (%)	Exercisable period	Balance as at 01.04.2009	Granted during the year	Lapsed during the year	Balance as at 31.03.2010
Employees								
In aggregate	01.04.2008	See above (6)	01.04.2011 (100%)	Not yet determined	60,000	–	(60,000)	–
	22.04.2009	See above (6)	22.04.2012 (100%)	Not yet determined	–	30,000	(30,000)	–
Total outstanding					60,000	30,000	(90,000)	–

2008 NMAL Share Option Scheme

Name or category of participant	Date of grant	Exercise price per share	Vesting date (%)	Exercisable period	Balance as at 01.04.2009	Granted during the year	Lapsed during the year	Balance as at 31.03.2010
Employees								
In aggregate	14.10.2009	See above (6)	15.10.2010 (30%) 15.10.2011 (60%) 15.10.2012 (100%)	Not yet determined	–	819,500	(132,000)	687,500
	04.01.2010	See above (6)	05.01.2011 (30%) 05.01.2012 (60%) 05.01.2013 (100%)	Not yet determined	–	35,000	–	35,000
Total outstanding					–	854,500	(132,000)	722,500

SHARE INCENTIVE SCHEMES (continued)

(b) Subsidiary Share Option Schemes (continued)

Apart from the above movements in the 2007 ADPDL Share Option Scheme, the 2008 ACIL Share Option Scheme and the 2008 NMAL Share Option Scheme, no options were granted, exercised, lapsed or cancelled under the other Subsidiary Share Option Schemes during the year ended 31 March 2010.

The Company has used the Binomial Model to assess the fair values of options granted under the 2007 ADPDL Share Option Scheme, the 2008 ACIL Share Option Scheme and the 2008 NMAL Share Option Scheme during the year ended 31 March 2010. This is an appropriate method for assessing the fair value of an option that can be exercised before the expiry of the option period.

The values of the respective options granted during the year ended 31 March 2010 were calculated as follows:

	Date of grant	No. of options granted	Risk-free rate	Expected life (years)	Expected volatility	Expected dividend yield	Fair value per option (HK$)
2007 ADPDL Share Option Scheme	14.10.2009	16,688	0.11%	0.46	48.3%	0.0%	71.99
2008 ACIL Share Option Scheme	22.04.2009	30,000	1.89%	6.00	49.2%	0.0%	(Note)
2008 NMAL Share Option Scheme	14.10.2009	819,500	2.10%	8.33	66.6%	0.0%	(Note)
	04.01.2010	35,000	2.70%	8.08	65.3%	0.0%	(Note)

Note: The fair values of the options granted were insignificant.

A total amount of HK$1,201,000 (2009:HK$4,150,000) was recognised in the consolidated statement of comprehensive income for the year ended 31 March 2010 in respect of the value of options granted during the year under the Subsidiary Share Option Schemes.

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

SHARE SUBSCRIPTION AND FINANCING PLAN

The Subscription Plan allows the Board to invite eligible persons to subscribe for new Shares in the Company. Its key terms are summarised below:

1. The Subscription Plan's purpose is to recognise contributions made by eligible persons (including employees and directors of the relevant Group subsidiary), to seek to retain them for the Group's continued operation and development, and to attract suitable personnel for its future development. The Subscription Plan encourages such persons to reinvest part of their remuneration in the form of equity participation in the Company, thus closely aligning their goals and interests with those of the Company and all Shareholders.

2. The Subscription Plan also provides an alternative for eligible persons (except directors of the Group subsidiary concerned) to apply for loans from the Group subsidiary to pay all or part of the subscription price.

3. Eligible persons – including full and part-time employees and directors (both executive and non-executive) of the Group subsidiary concerned – may be invited to participate. However, directors of the Group subsidiary concerned cannot apply for loans under the Subscription Plan.

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

5. The recipient of an invitation letter may, after satisfying certain conditions such as his or her length of service and performance targets, subscribe for up to the maximum number of new Shares stated in the letter at a price per Share that does not represent a discount of 20.0% or more from the higher of:
   (a) The closing price of the Share on the invitation date; or
   (b) The average closing price of the Share on the 5 trading days immediately prior to the invitation date, being the date of the announcement to be made on each invitation date.

6. The limit on the total number of new Shares that may be issued under the Subscription Plan shall not exceed 70,000,000 Shares, representing 2.9% of the Company's issued share capital as at 29 October 2007. These Shares shall be issued under the general mandate to issue shares available on the relevant date. Part of the general mandate may therefore be reserved each year for the issue of Shares under the Subscription Plan.

7. Having accepted an invitation to subscribe under the Subscription Plan, and having satisfied certain conditions such as the period of his or her service and performance targets, the eligible person may subscribe for the number of new Shares specified in the invitation. Each invitation may specify different conditions.

SHARE SUBSCRIPTION AND FINANCING PLAN (continued)

8. The table below sets out movements of the invitations for subscriptions issued under the Subscription Plan during the year:

Name or category of participant	Invitation date	Subscription price per Share	Vesting date (%)	Subscription period	Balance as at 01.04.2009	Lapsed during the year	Balance as at 31.03.2010
Directors							
Ting Ka Yu, Stephen	08.11.2007	HK$2.120	09.11.2008 ($33^1/_3$%) 09.11.2009 ($66^2/_3$%) 09.11.2010 (100%)	09.11.2008 – 07.11.2012	1,194,000	–	1,194,000
Ip Yut Kin	08.11.2007	HK$2.120	09.11.2008 ($33^1/_3$%) 09.11.2009 ($66^2/_3$%) 09.11.2010 (100%)	09.11.2008 – 07.11.2012	1,060,000	–	1,060,000
Employees							
In aggregate	08.11.2007	HK$2.120	09.11.2008 ($33^1/_3$%) 09.11.2009 ($66^2/_3$%) 09.11.2010 (100%)	09.11.2008 – 07.11.2012	43,218,000	(4,284,000)	38,934,000
	25.02.2008	HK$2.490	26.02.2009 ($33^1/_3$%) 26.02.2010 ($66^2/_3$%) 26.02.2011 (100%)	26.02.2009 – 24.02.2013	1,000,000	–	1,000,000
Total outstanding					46,472,000	(4,284,000)	42,188,000

No invitations for subscriptions under the Subscription Plan were issued, subscribed for or cancelled during the year ended 31 March 2010.

DIRECTORS

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

Executive Directors:

Mr. Lai Chee Ying, Jimmy (Chairman)
Mr. Chu Wah Hui (CEO)
Mr. Cheung Ka Sing, Cassian (Co-CEO)*
Mr. Ting Ka Yu, Stephen (COO and CFO)
Mr. Ip Yut Kin

Independent Non-executive Directors:

Mr. Fok Kwong Hang, Terry
Mr. Wong Chi Hong, Frank
Dr. Lee Ka Yam, Danny

* On 1 February 2010, Mr. Cheung Ka Sing, Cassian was re-designated from being a NED to an ED, and he was appointed as the Co-CEO.

DIRECTORS (continued)

Pursuant to Articles 84 and 85 of the Articles of Association, 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 at every AGM. Accordingly, Mr. Lai Chee Ying, Jimmy and Mr. Fok Kwong Hang, Terry will retire at the forthcoming AGM and, being eligible, offer themselves for re-election.

Biographical details of the Directors as at the date of this report are set out on pages 54 to 55. Details of the Directors' emoluments are provided under note 12 to the Financial Statements.

DIRECTORS' SERVICE CONTRACTS

Neither of the Directors who have been proposed for re-election at the forthcoming AGM has a service contract that cannot be terminated by the Group within one year without payment of compensation (other than statutory compensation).

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2010, the interests and short positions of the Directors and 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 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, were as follows:

(a) Interests in the Company

The table below sets out the long positions of each Director and the Chief Executive in the Shares and underlying Shares:

	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
Lai Chee Ying, Jimmy	1,720,594,935	–	1,000,000	64,538,230	–	1,786,133,165	74.04
Chu Wah Hui	20,000	10,000	–	–	20,000,000 (Note 1)	20,030,000	0.83
Cheung Ka Sing, Cassian	172,000	–	–	–	9,000,000 (Note 2)	9,172,000	0.38
Ting Ka Yu, Stephen	90,314	–	–	–	1,618,000 (Note 3) 1,194,000 (Note 4)	2,902,314	0.12
Ip Yut Kin	10,200,377	2,630,000	–	–	1,060,000 (Note 4)	13,890,377	0.58
Fok Kwong Hang, Terry	1,500,000	–	–	–	–	1,500,000	0.06

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

(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:

ADPDL

Name of Director/ Chief Executive	Number of shares Personal interests	Family interests	Corporate interests	Other interests	Interests in underlying shares/equity derivatives	Total shares	Percentage of issued share capital
Ting Ka Yu, Stephen	108,344 (Note 5)	–	–	–	–	108,344	1.00
Ip Yut Kin	216,688 (Note 6)	–	–	–	–	216,688	2.00

Notes:

(1) These interests represented options granted under the Company's 2007 Share Option Scheme to the Director as beneficial owner, details of which are set out in the section headed "Share Incentive Schemes". Further options representing rights to subscribe for a total of 30,000,000 Shares will be granted to the Director under the 2007 Share Option Scheme in three tranches, each representing 10,000,000 Shares, over a period of three years, pursuant to the terms of an employment agreement entered into by the Director and a wholly-owned subsidiary of the Company dated 22 September 2008, and provided that the Director continues to be employed by the Group at the relevant time.

(2) These interests represented options granted under the Company's 2007 Share Option Scheme to the Director as beneficial owner, details of which are set out in the section headed "Share Incentive Schemes". Further options representing rights to subscribe for a total of 18,000,000 Shares would be granted to the Director under the 2007 Share Option Scheme in two tranches, each representing 9,000,000 Shares, over a period of two years, pursuant to the terms of an employment agreement entered into by the Director and a wholly-owned subsidiary of the Company dated 3 November 2009, provided the Director continues to be employed by the Group at the relevant time.

(3) These interests represented options granted under the Company's 2000 Share Option Scheme to the Director as beneficial owner, details of which are set out in the section headed "Share Incentive Schemes".

(4) These interests represented Shares to be subscribed for under invitations issued by the Company pursuant to the Subscription Plan to Directors as beneficial owners, details of which are set out in the section headed "Share Incentive Schemes".

(5) These interests represented shares of ADPDL issued upon the exercise of options granted under the 2007 ADPDL Share Option Scheme.

(6) These interests represented shares of ADPDL issued upon the exercise of options granted under the 2007 ADPDL Share Option Scheme. Details of their movement during the year are set out in the section headed "Share Incentive Schemes".

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

(b) Interests in Associated Corporation (continued)

Apart from the details disclosed above and in the section headed "Discloseable Interests and Short Positions of Shareholders under the SFO" below, none of the Directors or the 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 2010.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at 31 March 2010, the following person (other than a Director or Chief Executive of the Company) had interests or short positions in the Shares and underlying Shares of the Company 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 Chee Ying, Jimmy as disclosed in the section headed "Interests and Short Positions of the Directors and Chief Executive in Shares, Underlying Shares and Debentures". Ms. Li Wan Kam, Teresa is the spouse of Mr. Lai Chee Ying, Jimmy 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 as is known to any Director or the Chief Executive of the Company as at 31 March 2010.

RELATED-PARTY TRANSACTIONS

During the year, the Group entered into certain transactions with parties regarded as "Related Parties" under applicable accounting principles, details of which are set out in note 37 to the Financial Statements. These mainly concerned contracts entered into by the Group in the ordinary course of business. These contracts were negotiated on normal commercial terms and on an arm's length basis with reference to prevailing market conditions.

Save as disclosed above and note 37 to the Financial Statements, no other contract of significance between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries were entered into or existed during the year.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of all or any substantial part of the Group's business was entered into or existed during the year.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

RETIREMENT BENEFIT PLANS

Details of the Group's retirement benefit plans are set out in note 30 to the Financial Statements.

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 the public's hands exceed 25.0% as at 7 June 2010, the latest practicable date to ascertain such information prior to the issue of this report.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the options 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 to acquire benefits by means of the acquisition of Shares in or debentures of the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

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

AUDITOR

The Financial Statements have been audited by Messrs. Deloitte Touche Tohmatsu. A resolution will be submitted to the forthcoming AGM to re-appoint the auditor, Messrs. Deloitte Touche Tohmatsu.

On behalf of the Board
Jimmy Lai
Chairman

Hong Kong, 7 June 2010

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 79 to 153, which comprise the consolidated statement of financial position and Company's statement of financial position as at 31 March 2010, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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 2010 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
7 June 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2010

	NOTES	2010 HK$'000	2009 HK$'000
Revenue	7	**3,126,199**	3,291,501
Production costs			
Cost of raw materials consumed		**(994,051)**	(1,346,719)
Other overheads		**(133,013)**	(163,095)
Staff costs		**(721,708)**	(695,770)
Personnel costs excluding direct production staff costs		**(463,402)**	(454,511)
Other income	7	**35,967**	60,381
Depreciation of property, plant and equipment		**(131,838)**	(133,194)
Release of prepaid lease payments to profit or loss		**(1,797)**	(1,797)
Other expenses		**(311,437)**	(233,897)
Finance costs	9	**(11,220)**	(10,417)
Profit before tax		**393,700**	312,482
Income tax expense	10	**(72,943)**	(54,998)
Profit for the year	11	**320,757**	257,484
Other comprehensive income (expense)			
Exchange differences arising on translation		**64,952**	(120,920)
Total comprehensive income for the year		**385,709**	136,564
Profit for the year attributable to:			
Owners of the Company		**317,876**	257,484
Minority interests		**2,881**	–
		320,757	257,484
Total comprehensive income attributable to:			
Owners of the Company		**382,855**	136,564
Minority interests		**2,854**	–
		385,709	136,564
Earnings per share	16		
– Basic		**HK13 cents**	HK11 cents
– Diluted		**HK13 cents**	HK11 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2010

	NOTES	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Intangible assets	17	**1,300,881**	1,300,881
Property, plant and equipment	19	**1,797,812**	1,404,015
Prepaid lease payments	20	**65,149**	66,947
Deposit for acquisition of property, plant and equipment	22	**1,545**	3,554
		3,165,387	2,775,397
CURRENT ASSETS			
Inventories	23	**133,916**	188,872
Trade and other receivables	24	**543,449**	456,319
Prepaid lease payments	20	**1,797**	1,797
Derivative financial instruments	25	**–**	27
Tax recoverable		**999**	10,102
Restricted bank balances	26	**5,411**	5,411
Bank balances and cash	26	**794,527**	895,372
		1,480,099	1,557,900
CURRENT LIABILITIES			
Trade and other payables	27	**466,053**	385,118
Borrowings	28	**116,869**	142,724
Obligations under finance leases		**30**	242
Tax liabilities		**28,910**	8,922
		611,862	537,006
NET CURRENT ASSETS		**868,237**	1,020,894
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,033,624**	3,796,291

	NOTES	2010 HK$'000	2009 HK$'000
NON-CURRENT LIABILITIES			
Borrowings	28	**202,079**	364,822
Defined benefit plans obligations	30	**22,705**	19,441
Deferred tax liabilities	34	**291,029**	294,610
		515,813	678,873
NET ASSETS		**3,517,811**	3,117,418
CAPITAL AND RESERVES			
Share capital	31	**2,412,497**	2,412,497
Reserves		**1,101,976**	704,878
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**3,514,473**	3,117,375
MINORITY INTERESTS		**3,338**	43
TOTAL EQUITY		**3,517,811**	3,117,418

The consolidated financial statements on pages 79 to 153 were approved and authorised for issue by the Board of Directors on 7 June 2010 and are signed on its behalf by:

Lai Chee Ying, Jimmy
DIRECTOR

Ting Ka Yu, Stephen
DIRECTOR

STATEMENT OF FINANCIAL POSITION

At 31 March 2010

	NOTES	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	19	134,970	139,106
Prepaid lease payments	20	29,203	30,008
Interests in subsidiaries	21	2,638,596	2,636,228
		2,802,769	2,805,342
CURRENT ASSETS			
Other receivables	24	3,342	3,368
Prepaid lease payments	20	806	806
Amounts due from subsidiaries	21	919,970	879,173
Tax recoverable		991	691
Restricted bank balances	26	5,411	5,411
Bank balances and cash	26	42,719	62,464
		973,239	951,913
CURRENT LIABILITIES			
Other payables	27	12,002	7,882
Amounts due to subsidiaries	21	948	772
Financial guarantee contracts	29	1,773	4,192
		14,723	12,846
NET CURRENT ASSETS		958,516	939,067
TOTAL ASSETS LESS CURRENT LIABILITIES		3,761,285	3,744,409

	NOTES	2010 HK$'000	2009 HK$'000
NON-CURRENT LIABILITY			
Deferred tax liabilities	34	**13,984**	12,300
NET ASSETS		**3,747,301**	3,732,109
CAPITAL AND RESERVES			
Share capital	31	**2,412,497**	2,412,497
Reserves	33	**1,334,804**	1,319,612
TOTAL EQUITY		**3,747,301**	3,732,109

Lai Chee Ying, Jimmy
DIRECTOR

Ting Ka Yu, Stephen
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2010

	Attributable to owners of the Company								
	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 2008	2,411,829	918,264	40,965	28,789	9,649	3,409,496	–	43	3,409,539
Exchange differences arising on translation	–	–	(120,920)	–	–	(120,920)	–	–	(120,920)
Profit for the year	–	–	–	–	257,484	257,484	–	–	257,484
Total comprehensive income (expenses) for the year	–	–	(120,920)	–	257,484	136,564	–	–	136,564
Recognition of equity-settled share based payments	–	–	–	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 (Note 14)	–	–	–	–	(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
Exchange differences arising on translation	–	–	64,979	–	–	64,979	–	(27)	64,952
Profit for the year	–	–	–	–	317,876	317,876	–	2,881	320,757
Total comprehensive income for the year	–	–	64,979	–	317,876	382,855	–	2,854	385,709
Recognition of equity-settled share based payments	–	–	–	13,042	–	13,042	1,201	–	14,243
Lapse of share options	–	–	–	(7,364)	7,364	–	–	–	–
Exercise of share options	–	–	–	–	–	–	(1,201)	1,201	–
Minority shareholder's share of loss previously not recognised	–	–	–	–	1,201	1,201	–	(1,201)	–
Acquisition of additional interest in subsidiaries	–	–	–	–	–	–	–	(235)	(235)
Capital contribution from minority shareholders	–	–	–	–	–	–	–	676	676
At 31 March 2010	2,412,497	918,712	(14,976)	58,774	139,466	3,514,473	–	3,338	3,517,811

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2010

	2010 HK$'000	2009 HK$'000
OPERATING ACTIVITIES		
Profit before tax	393,700	312,482
Adjustments for:		
Finance costs	11,220	10,417
Allowance for (reversal of) bad and doubtful debts	15,638	(12,481)
Depreciation of property, plant and equipment	131,838	133,194
Release of prepaid lease payments to profit or loss	1,797	1,797
Loss (gain) on disposal of property, plant and equipment	6,430	(1)
Decrease in fair value of derivative financial instruments	27	945
Share-based payment expense	14,243	28,574
Interest income	(2,383)	(7,096)
Operating cash flows before movements in working capital	572,510	467,831
Decrease (increase) in inventories	54,956	(8,507)
(Increase) decrease in trade and other receivables	(93,852)	104,628
Increase (decrease) in trade and other payables	80,935	(77,848)
Increase (decrease) in defined benefits plans	3,265	(766)
Net cash generated from operations	617,814	485,338
Income tax paid	(47,705)	(99,140)
NET CASH FROM OPERATING ACTIVITIES	570,109	386,198
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(480,125)	(48,738)
Deposit for acquisition of property, plant and equipment	(1,545)	(3,554)
Interest received	2,383	7,096
Acquisition of additional interest in subsidiaries	(235)	–
Proceeds from disposal of property, plant and equipment	200	702
NET CASH USED IN INVESTING ACTIVITIES	(479,322)	(44,494)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2010

	2010 HK$'000	2009 HK$'000
FINANCING ACTIVITIES		
Dividend paid	–	(458,375)
Repayment of bank loans	(216,640)	(206,278)
Interest paid	(11,220)	(10,417)
Repayment of obligations under finance leases	(212)	(726)
New loans raised	–	379,936
Proceeds from exercise of share options	–	1,116
Capital contribution from minority shareholders	676	–
NET CASH USED IN FINANCING ACTIVITIES	(227,396)	(294,744)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(136,609)	46,960
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	895,372	872,003
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	35,764	(23,591)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	794,527	895,372

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

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"). Mr. Lai Chee Ying, Jimmy ("Mr. Lai"), is a controlling shareholder and the ultimate controlling party of the Company. The address of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

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

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

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

In the current year, the Group and the Company have applied the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

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

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes, (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has not resulted in a redesignation of the Group's reportable segments (see Note 8) nor changes in the basis of measurement of segment profit or loss, segment assets and segment liabilities.

HKAS 23 (Revised 2007) Borrowing Costs

In previous years, the Group expensed all borrowing costs that were directly attributable to the acquisition, construction or production of a qualifying asset when they were incurred. HKAS 23 (Revised 2007) removes the option previously available to expense all borrowing costs when incurred. The adoption of HKAS 23 (Revised 2007) has resulted in the Group changing its accounting policy to capitalise all such borrowing costs as part of the cost of the qualifying asset. This change in accounting policy has no material effect on the consolidated financial statements. Accordingly, no adjustment has been required.

Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

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)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009 except paragraph 80 of HKAS 39[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

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

Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures) (continued)

[1] Effective for annual periods beginning on or after 1 July 2009

[2] Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate

[3] Effective for annual periods beginning on or after 1 January 2010

[4] Effective for annual periods beginning on or after 1 February 2010

[5] Effective for annual periods beginning on or after 1 July 2010

[6] Effective for annual periods beginning on or after 1 January 2011

[7] Effective for annual periods beginning on or after 1 January 2013

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after 1 April 2010.

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 *Leases* has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification of the Group's leasehold land.

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 consolidated financial statements.

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 statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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 statement of financial position at cost less any identified impairment loss.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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

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

Masthead and publishing rights

On initial recognition, intangible assets (masthead and publishing 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 statement of comprehensive income 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 statement of financial positions 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.

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 statement of comprehensive income in the year in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss 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 statement of financial position 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 profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Prepaid lease payments

Payments for obtaining land use rights are accounted for as prepaid lease payments and are charged to profit or loss 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 the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that 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 profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value, are included in profit or loss 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 other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

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 end of the reporting period, 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 in other comprehensive income and accumulated in equity (the translation reserve).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

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 best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (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 end of the reporting period.

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

The Group’s contributions to the defined contribution retirement schemes and the mandatory provident fund scheme are 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

(iii) Retirement benefits obligations *(continued)*

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 the end of the reporting period. Actuarial gains and losses which exceed 10% of the greater of the present value of the Group's defined benefit obligations and the fair value of plan assets at the end of the previous reporting period 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 statement of financial position 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).

At the end of reporting period, 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 profit or loss, 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.

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 statement of comprehensive income 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 end of the reporting period.

Taxation (continued)

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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period 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 assets and liabilities are measured, at the tax rates that are expected to apply to the period in which the asset is realised or the liability is settled, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position 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 profit or loss.

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. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of asset within the time frame established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at FVTPL represent financial assets held for trading.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets *(continued)*

Financial assets at fair value through profit or loss (continued)

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future;
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

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 the end of the reporting period 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.

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 to the net carrying amount on initial recognition.

Interest 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 the end of the reporting period. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets *(continued)*

Impairment of financial assets (continued)

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.

An impairment loss is recognised in profit or loss 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 profit or loss. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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 profit or loss 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.

Financial liabilities

Financial liabilities including borrowings, trade 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by a group entity 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 financial guarantee contact is measured at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions*, *Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

Derecognition

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

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 profit or loss.

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 the end of the reporting period, 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 discussed below:

Income taxes

As at 31 March 2010, the Group had estimated unused tax losses of approximately HK$976,970,000 (2009: HK$1,002,145,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$9,205,000 (2009: HK$12,022,000) of such losses. No deferred tax assets has been recognised on the tax losses of approximately HK$967,765,000 (2009: HK$990,123,000) due to the 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 2010, an amount of approximately HK$51,200,000 (2009: HK$35,981,000) has been provided for outstanding litigations. Details are set out in note 35.

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. In the current year, an allowance for bad and doubtful debts of approximately HK$15,638,000 is recognized in profit or loss (2009: reversal of allowance for bad and doubtful debts of approximately HK$12,481,000). Details are set out in note 24.

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 28, and equity attributable to owners of the Company, comprising share capital, share premium and reserves.

The Directors 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

	2010 HK$'000	2009 HK$'000
THE GROUP		
Financial assets		
Loans and receivables		
(including cash and cash equivalents)	1,277,794	1,333,191
Fair value through profit or loss	–	27
Financial liabilities		
Liabilities at amortised cost	441,419	670,780

	2010 HK$'000	2009 HK$'000
THE COMPANY		
Financial assets		
Loans and receivables		
(including cash and cash equivalents)	968,742	947,716
Financial liabilities		
Liabilities at amortised cost	948	772
Financial guarantee contracts	1,773	4,192

6b. Financial risk management objectives and policies

The Group's and the Company's major financial instruments include borrowings, trade and other receivables, trade 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. The Directors believe that the Group does not have significant foreign exchange exposures and will consider the use of foreign exchange forward contracts to reduce the currency exposures in case the foreign exchange exposures become significant.

6. FINANCIAL INSTRUMENTS (continued)

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

Market risk *(continued)*

Currency risk (continued)

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

	Liabilities		Assets	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
United States Dollar ("USD")	**41,135**	91,977	**8,300**	11,657
Pound Sterling ("GBP")	**5**	–	**293**	223
Australian Dollar ("AUD")	**–**	–	**1,575**	1,027
New Taiwan Dollar ("NTD")				
– inter-company balances	**7,031**	14,556	**1,969,828**	1,687,888

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 where Hong Kong dollars strengthen 5% against the relevant currency. For a 5% weakening of Hong Kong dollars against the relevant currency, there would be an equal and opposite impact on the profit, and the balances below would be positive.

	NTD Impact		GBP Impact		AUD Impact	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Decrease in post-tax profit	**(98,140)**	(83,667)	**(14)**	(11)	**(79)**	(51)

The Group's sensitivity to foreign currency has increased during the current year mainly due to an increased in NTD denominated receivables as at year end 31 March 2010.

Cash flow interest rate risk

The Group's cash flow interest rate risk relates primarily to variable-rate bank borrowings (see note 28 for details of these borrowings). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

6. FINANCIAL INSTRUMENTS (continued)

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

Market risk *(continued)*

Cash flow interest rate risk (continued)

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 Primary Commercial Paper composite rate in Taiwan. 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 26 for details).

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to market interest rates for bank borrowings at the end of the reporting period. For variable-rate bank borrowings, the analysis is prepared assuming the amount outstanding at the end of the reporting period 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$1,595,000 for the year ended 31 March 2010 (2009: HK$2,538,000), respectively.

Credit risk

The Company

As at 31 March 2010, 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 statement of financial position; and

- the amount of contingent liabilities disclosed in note 35(c).

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

The Group

As at 31 March 2010, 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 statement of financial position.

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 the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors 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 2010, the Group has total available unutilised overdraft and short-term bank loan facilities of approximately HK$147,139,000 (2009: HK$142,843,000).

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment term. 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. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate as at the end of the reporting period. The table includes both interest and principal cash flows.

6. FINANCIAL INSTRUMENTS (continued)

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

***Liquidity risk** (continued)*

Liquidity and interest risk tables

THE GROUP	Weighted average effective interest rate %	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March 2010 HK$'000
2010							
Non-derivative financial liabilities							
Trade payables	–	73,647	39,946	8,776	72	122,441	122,441
Borrowings	2.14	10,308	20,616	92,771	208,227	331,922	318,948
Obligations under finance lease	3.32	3	8	20	–	31	30
		83,958	60,570	101,567	208,299	454,394	441,419

THE COMPANY	Weighted average effective interest rate %	Repayable on demand HK$'000	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March 2010 HK$'000
2010							
Non-derivative financial liabilities							
Financial guarantee contracts	–	591,087	–	–	–	591,087	1,773
Amounts due to subsidiaries	–	948	–	–	–	948	948
		592,035	–	–	–	592,035	2,721

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$'000	Carrying amount at 31 March 2009 HK$'000
2009							
Non-derivative financial liabilities							
Trade 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 %	Repayable on demand HK$'000	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March 2009 HK$'000
2009							
Non-derivative financial liabilities							
Financial guarantee contracts	–	775,390	–	–	–	775,390	4,192
Amounts due to subsidiaries	–	772	–	–	–	772	772
		776,162	–	–	–	776,162	4,964

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

6. FINANCIAL INSTRUMENTS (continued)

6c. Fair value

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

- the fair value of derivative financial instruments with standard terms and conditions are determined with reference to the prevailing rate of relevant foreign currency; and
- 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 to their corresponding 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 websites, internet subscription and the provision of internet content. Revenue recognised during the year is as follows:

	2010 HK$'000	2009 HK$'000
Revenue		
Sales of newspapers	793,382	798,951
Sales of books and magazines	263,576	276,792
Newspapers advertising income	1,263,441	1,308,141
Books and magazines advertising income	548,599	606,382
Printing and reprographic services income	212,602	256,636
Internet advertising income, internet subscription and content provision ("Internet businesses")	44,599	44,599
	3,126,199	3,291,501
Other income		
Sales of waste materials	16,583	23,605
Interest income on bank deposits	2,383	7,096
Rental income	1,764	1,686
Net exchange gain	7,659	16,685
Others	7,578	11,309
	35,967	60,381

8. SEGMENT INFORMATION

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1 April 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the chief operating officer of the Group) in order to allocate resources to segments and to assess their performance. In contrast, the predecessor standard (HKAS 14, *Segment Reporting*) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14, nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss. In the current period, a new reportable segment, television, is presented under HKFRS 8 which represents the business engaged in television broadcasting, programme production and other related activities which the Group established in the current period.

Segment information reported was analysed according to the nature of the business activities carried out by its operating segments. The Group's operating segments under HKFRS 8 are therefore as follows:

Operating segments	Principal activities
Newspapers publication and printing	Sales of newspapers and provision of relevant printing and advertising services in Hong Kong and Taiwan
Books and magazines publication and printing	Sales of books and magazines and provision of relevant printing and advertising services in Hong Kong, Taiwan, North America, Europe and Australasia
Television	Television broadcasting, programme production and other related activities in Taiwan
Internet businesses	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. SEGMENT INFORMATION (continued)

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segments.

For the year ended 31 March 2010

	Newspapers publication and printing HK$'000	Books and magazines publication and printing HK$'000	Television HK$'000	Internet businesses HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE						
External sales	2,176,485	905,115	–	44,599	–	3,126,199
Inter-segment sales	2,091	20,293	–	–	(22,384)	–
	2,178,576	925,408	–	44,599	(22,384)	3,126,199
Segment results	453,134	137,901	(94,895)	(73,445)	–	422,695
Unallocated expenses						(29,500)
Unallocated income						11,725
Finance costs						(11,220)
Profit before tax						393,700
Income tax expense						(72,943)
Profit for the year						320,757

8. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

For the year ended 31 March 2009

	Newspapers publication and printing HK$'000	Books and magazines publication and printing HK$'000	Television HK$'000	Internet businesses HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE						
External sales	2,227,226	1,019,676	–	44,599	–	3,291,501
Inter-segment sales	1,985	24,972	–	107	(27,064)	–
	2,229,211	1,044,648	–	44,706	(27,064)	3,291,501
Segment results	226,913	180,408	–	(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

Segment profit represents the profit earned by each segment without allocation of income resulted from interest income, paper reel handling income, finance costs and certain corporate and administrative expenses. This is the measure reported to management for the purposes of resource allocation and performance assessment.

8. SEGMENT INFORMATION (continued)

Segment assets and liabilities

As at 31 March 2010

	Newspapers publication and printing HK$'000	Books and magazines publication and printing HK$'000	Television HK$'000	Internet businesses HK$'000	Eliminations HK$'000	Consolidated HK$'000
Segment assets	2,506,174	762,531	532,415	40,088	–	3,841,208
Unallocated assets						804,278
Total assets						4,645,486
Segment liabilities	(246,654)	(160,867)	(49,731)	(16,886)	–	(474,138)
Unallocated liabilities						(653,537)
Total liabilities						(1,127,675)

As at 31 March 2009

	Newspapers publication and printing HK$'000	Books and magazines publication and printing HK$'000	Television HK$'000	Internet businesses HK$'000	Eliminations HK$'000	Consolidated HK$'000
Segment assets	2,598,209	775,794	–	45,040	–	3,419,043
Unallocated assets						914,254
Total assets						4,333,297
Segment liabilities	(244,319)	(136,399)	–	(13,338)	–	(394,056)
Unallocated liabilities						(821,823)
Total liabilities						(1,215,879)

8. SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than certain bank balances and cash and corporate assets that are not attributable to segments; and
- all liabilities are allocated to operating segments other than certain other payables, tax liabilities, deferred tax liabilities and corporate liabilities that are not attributable to segments.

Other segment information

For the year ended 31 March 2010

	Newspapers publication and printing HK$'000	Books and magazines publication and printing HK$'000	Television HK$'000	Internet businesses HK$'000	Corporate HK$'000	Consolidated HK$'000
Addition to non-current assets	(27,115)	(6,756)	(434,650)	(15,158)	–	(483,679)
Depreciation of property, plant and equipment	(92,978)	(22,145)	(1,176)	(15,539)	–	(131,838)
Release of prepaid lease payments	(991)	–	–	–	(806)	(1,797)
Reversal of (allowance for) bad and doubtful debts	(9,719)	(6,019)	–	100	–	(15,638)
Share-based payment expense	(1,201)	–	–	–	(13,042)	(14,243)
Loss on disposal of property, plant and equipment	(1,696)	(71)	(16)	(4,647)	–	(6,430)

For the year ended 31 March 2009

	Newspapers publication and printing HK$'000	Books and magazines publication and printing HK$'000	Television HK$'000	Internet businesses HK$'000	Corporate HK$'000	Consolidated HK$'000
Addition to non-current assets	(6,290)	(25,616)	–	(18,426)	–	(50,332)
Depreciation of property, plant and equipment	(96,384)	(24,381)	–	(12,429)	–	(133,194)
Release of prepaid lease payments	(991)	–	–	–	(806)	(1,797)
Reversal of (allowance for) bad and doubtful debts	10,721	2,043	–	(283)	–	12,481
Share-based payment expense	(4,150)	–	–	–	(24,424)	(28,574)
Gain (loss) on disposal of property, plant and equipment	215	(213)	–	(1)	–	1

8. SEGMENT INFORMATION (continued)

Geographical information

The Group's revenue from external customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**1,829,929**	1,885,194	**1,972,336**	2,036,072
Taiwan	**1,250,303**	1,319,934	**1,191,872**	738,259
North America	**24,435**	41,844	**1,179**	1,066
Europe	**9,246**	30,043	**–**	–
Australasia	**10,886**	13,035	**–**	–
Others	**1,400**	1,451	**–**	–
	3,126,199	3,291,501	**3,165,387**	2,775,397

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2010	2009
	HK$'000	HK$'000
Customer A (Note)	**1,056,958**	1,075,743

Note: Revenue from this customer comprised revenue from newspapers publication and magazine publication amounting to HK$793,382,000 (2009: HK$798,951,000) and HK$263,576,000 (2009: HK$276,792,000) respectively.

9. FINANCE COSTS

	2010	2009
	HK$'000	HK$'000
Interest expenses on bank borrowings wholly repayable within five years	**11,211**	10,330
Interest expense on finance lease wholly repayable within five years	**9**	87
	11,220	10,417

10. INCOME TAX EXPENSE

	2010 HK$'000	2009 HK$'000
Current tax:		
Hong Kong	70,771	54,392
Taiwan	5,830	10,884
Other jurisdictions	–	(530)
(Over)underprovision in prior years	(77)	8,200
	76,524	72,946
Deferred tax (note 34):		
Current year	(3,581)	(87)
Attributable to change in tax rate	–	(17,861)
	(3,581)	(17,948)
	72,943	54,998

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% for both years.

Taiwan Profits Tax is calculated at 25% (2009: 25%) of the estimated assessable profits for the year.

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

10. INCOME TAX EXPENSE (continued)

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

	2010 HK$'000	2009 HK$'000
Profit before tax	393,700	312,482
Tax at Hong Kong Profits Tax rate of 16.5%	64,961	51,560
Tax effect of expenses not deductible for tax purpose	11,896	7,980
Tax effect of income not taxable for tax purpose	(2,877)	(6,631)
(Over)underprovision in prior years	(77)	8,200
Tax effect of tax losses not recognised	32,562	14,351
Utilisation of tax losses previously not recognised	(36,251)	(6,575)
Effect of different tax rates of subsidiaries operating in other jurisdictions	2,729	3,974
Tax effect of change in tax rate	–	(17,861)
Tax charge for the year	72,943	54,998

11. PROFIT FOR THE YEAR

	2010 HK$'000	2009 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Allowance for (reversal of) bad and doubtful debts	15,638	(12,481)
Auditor's remuneration	2,403	2,396
Costs of inventories consumed in production	994,051	1,346,719
Operating lease expenses on:		
Properties	11,297	6,993
Plant and equipment	13,355	13,004
Provision for legal and professional fees included in other expenses (net of reversal of HK$2,245,000 (2009: HK$14,303,000))	41,257	13,840
Staff costs (note 15)	1,185,110	1,150,281
Loss (gain) on disposal of property, plant and equipment	6,430	(1)
Decrease in fair value of derivative financial instruments	27	945

12. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the 8 (2009: 11) Directors were as follows:

2010

	Lai Chee Ying, Jimmy HK$'000	Ting Ka Yu, Stephen HK$'000	Ip Yut Kin HK$'000	Fok Kwong Hang, Terry HK$'000	Chu Wah Hui HK$'000	Cheung Ka Sing, Cassian HK$'000 (Note 3)	Wong Chi Hong, Frank HK$'000	Lee Ka Yam, Danny HK$'000	Total HK$'000
Fees	200	223	200	300	200	200	300	300	1,923
Other emoluments									
Salaries and other benefits	4,094	2,634	2,786	–	4,237	517	–	–	14,268
Performance related incentive payments (Note 2)	–	822	267	–	2,475	250	–	–	3,814
Share based payment	–	202	1,380	–	3,031	373	–	–	4,986
Pension costs – defined contribution plans	–	109	97	–	148	–	–	–	354
Long service payment	–	–	–	–	–	–	–	–	–
Total emoluments	4,294	3,990	4,730	300	10,091	1,340	300	300	25,345

2009

	Lai Chee Ying, Jimmy HK$'000	Ting Ka Yu, Stephen HK$'000	Ip Yut Kin HK$'000	Tung Chuen Cheuk HK$'000 (Note 1)	Yeh V-Nee HK$'000 (Note 1)	Fok Kwong Hang, Terry HK$'000	Kao Kuen, Charles HK$'000 (Note 1)	Chu Wah Hui HK$'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 2)	–	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

Note 1: These directors resigned during the year ended 31 March 2009.

Note 2: The performance related incentive payment is determined as a percentage of profit for the year of the respective business unit for both years.

Note 3: Mr. Cheung Ka Sing, Cassian was appointed as the Co-Chief Executive Officer of the Group on 1 February 2010.

12. DIRECTORS' EMOLUMENTS (continued)

The emoluments disclosed above include expenses of HK$3,314,000 (2009: HK$3,148,000) paid by the Group under four operating leases (2009: two) in respect of residential accommodation provided to three (2009: one) Executive Directors.

During the years ended 31 March 2010 and 2009, no Director waived or agreed to waive any emoluments.

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2009: five) were Directors of the Company whose emoluments are included in the disclosure in note 12 above. The emoluments of the remaining individual were as follows:

	2010 HK$'000	2009 HK$'000
Salaries and other benefits	4,706	–
Share based payment	514	–
	5,220	–

14. DIVIDENDS

No dividend was paid or declared during 2010, nor has any dividend been proposed since the end of the reporting period (2009: final dividend of HK9.0 cents and amounting to HK$217,125,000 in total and special dividend of HK10.0 cents and amounting to HK$241,250,000 in total in respect of the year ended 31 March 2008 were declared and paid).

15. STAFF COSTS

	2010 HK$'000	2009 HK$'000
Wages, salaries and other benefits	1,122,317	1,072,624
Pension costs – defined contribution plans, net of forfeited contributions (note 30(a) and (b))	46,442	47,351
Pension costs – defined benefits plans (note 30(c))	2,108	1,732
Share based payment	14,243	28,574
	1,185,110	1,150,281

The staff costs for the year ended 31 March 2010 included Directors' emoluments of HK$25,345,000 (2009: HK$27,704,000) 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

	2010 HK$'000	2009 HK$'000
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	317,876	257,484

Number of shares

	2010	2009
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,412,496,881	2,412,357,791
Effect of dilutive potential ordinary shares:		
Share options and share subscription plan	26,900	292,982
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,412,523,781	2,412,650,773

17. INTANGIBLE ASSETS

	Masthead and publishing rights HK$'000
THE GROUP	
COST	
At 1 April 2008, 31 March 2009 and 31 March 2010	1,482,799
ACCUMULATED IMPAIRMENT	
At 1 April 2008, 31 March 2009 and 31 March 2010	181,918
CARRYING VALUES	
At 31 March 2010 and 31 March 2009	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

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 cash generating units ("CGUs"), represented by one subsidiary in newspapers publication and printing segment and one subsidiary in books and magazines publication and printing 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	
	2010	2009
	HK$'000	HK$'000
Newspaper publication and printing		
– Apple Daily I.P. Limited	**1,020,299**	1,020,299
Books and magazines publication and printing		
– Next Media I.P. Limited	**280,582**	280,582
	1,300,881	1,300,881

The recoverable amounts of masthead and publishing rights have been determined on the basis of value in use calculations. Their recoverable amounts are based on certain similar key assumptions. Value in use calculations use cash flow projections based on financial budgets approved by management covering a 5-year period with an annual growth rate of 3% (2009: 2%) for books and magazines publication and printing and 3% (2009: 3%) for newspaper publication and printing, and a pre-tax discount rate of 12% (2009: 12%). Cash flow projections beyond the 5-year period are extrapolated using a steady 3% (2009: 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$'000	Construction in progress HK$'000	Total HK$'000
THE GROUP							
COST							
At 1 April 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
Exchange difference	27,280	2,065	32,136	11,078	160	–	72,719
Additions	64,114	3,558	3,313	39,554	1,598	371,542	483,679
Disposals	–	(6,213)	(519)	(18,648)	(84)	–	(25,464)
At 31 March 2010	923,151	68,651	1,186,238	315,011	10,082	371,542	2,874,675
ACCUMULATED DEPRECIATION							
At 1 April 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
Exchange difference	1,160	496	12,755	9,655	67	–	24,133
Charge for the year	14,397	4,922	81,300	29,628	1,591	–	131,838
Eliminated on disposals	–	(1,513)	(503)	(16,735)	(83)	–	(18,834)
At 31 March 2010	79,516	30,702	708,057	252,988	5,600	–	1,076,863
CARRYING VALUES							
At 31 March 2010	843,635	37,949	478,181	62,023	4,482	371,542	1,797,812
At 31 March 2009	767,798	42,444	536,803	52,587	4,383	–	1,404,015

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 2008	145,032	14,915	6	159,953
Additions	–	10	–	10
At 31 March 2009	145,032	14,925	6	159,963
Additions	–	–	–	–
At 31 March 2010	145,032	14,925	6	159,963
ACCUMULATED DEPRECIATION				
At 1 April 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
Charge for the year	3,354	781	1	4,136
At 31 March 2010	20,140	4,849	4	24,993
CARRYING VALUES				
At 31 March 2010	124,892	10,076	2	134,970
At 31 March 2009	128,246	10,857	3	139,106

19. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 31 March 2010, the carrying value of the Group's and the Company's land and buildings comprised the following:

	2010		2009	
	THE GROUP HK$'000	THE COMPANY HK$'000	THE GROUP HK$'000	THE COMPANY HK$'000
Buildings situated in Hong Kong under medium lease	369,020	124,892	378,905	128,246
Buildings situated outside Hong Kong on freehold land	197,416	–	188,969	–
Freehold land situated outside Hong Kong	277,199	–	199,924	–
	843,635	124,892	767,798	128,246

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 of five year, whichever is shorter
Plant and machinery	6.67% – 10%
Furniture, fixtures and equipment	20% – 33.33%
Motor vehicles	20%

Notes:

(a) At 31 March 2010, certain of the Group's freehold land and buildings with a total carrying value of HK$352,642,000 (2009: HK$379,462,000) were pledged as security for the Group's banking facilities (note 28).

(b) At 31 March, 2010, certain of the Group's plant and machinery with an aggregate carrying value of HK$241,655,000 (2009: HK$287,476,000) were pledged as security for the Group's banking facilities (note 28).

(c) At 31 March 2010, certain of the Group's furniture, fixtures and equipment with a total carrying value of HK$21,000 (2009: HK$58,000) were under finance lease obligation.

20. PREPAID LEASE PAYMENTS

	THE GROUP		THE COMPANY	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
The prepaid lease payments comprise of medium-term leasehold land in Hong Kong	66,946	68,744	30,009	30,814
Analysed of reporting purposes as:				
Current asset	1,797	1,797	806	806
Non-current asset	65,149	66,947	29,203	30,008
	66,946	68,744	30,009	30,814

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

	THE COMPANY	
	2010 HK$'000	2009 HK$'000
Unlisted shares, at cost less allowance	2,620,000	2,620,000
Deemed capital contribution (Note)	18,596	16,228
	2,638,596	2,636,228
Amounts due from subsidiaries	1,608,005	1,567,208
Less: allowance for amounts due from subsidiaries	(688,035)	(688,035)
	919,970	879,173
Amounts due to subsidiaries	(948)	(772)

Note: Included in the deemed capital contribution is fair value of financial guarantee provided by the Company to its subsidiaries for banking facilities granted by the banks to the subsidiaries.

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

Movement in the allowance for amounts due from subsidiaries

	2010 HK$'000	2009 HK$'000
Balance at beginning of the year	688,035	708,170
Reversal of impairment losses recognised on receivables	–	(20,135)
Balance at end of the year	688,035	688,035

Included in the amounts due from subsidiaries the Company are individually impaired balance with an aggregated balance of HK$688,035,000 (2009: HK$688,035,000) which the Director considered that the balances cannot be recovered. The Company does not hold any collateral over these balances.

22. DEPOSIT FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

The balance represents the deposits paid for acquisition of property, plant and equipment for the Group's daily operation.

23. INVENTORIES

	THE GROUP	
	2010 HK$'000	2009 HK$'000
Raw materials	128,606	185,352
Work in progress	3,675	2,216
Finished goods	1,635	1,304
	133,916	188,872

24. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Trade receivables	530,149	482,316	–	–
Less: allowance for doubtful debts	(96,449)	(79,753)	–	–
	433,700	402,563	–	–
Prepayments	51,369	13,981	–	–
Rental and other deposits	14,224	9,930	–	–
Others	44,156	29,845	3,342	3,368
Trade and other receivables	543,449	456,319	3,342	3,368

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 presented based on invoice date at end of the reporting period:

	2010 HK$'000	2009 HK$'000
0 – 1 month	224,810	178,475
1 – 3 months	204,447	186,631
3 – 4 months	3,776	26,854
Over 4 months	667	10,603
	433,700	402,563

Before accepting any new customer, the management of the Group estimates 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.

Included in the Group's trade receivable balances are debtors with an aggregate carrying amount of HK$667,000 (2009: HK$10,603,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as the directors assessed that the balances will be recovered based on their settlement records. The Group does not hold any collateral over these balances.

24. TRADE AND OTHER RECEIVABLES (continued)

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

	2010 HK$'000	2009 HK$'000
Over 4 months	667	10,603

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

	2010 HK$'000	2009 HK$'000
Balance at beginning of the year	79,753	98,972
Allowance for (reversal of) bad and doubtful debts	15,638	(12,481)
Exchange difference	2,311	(4,873)
Amounts written off as uncollectible	(1,253)	(1,865)
Balance at end of the year	96,449	79,753

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$96,449,000 (2009: HK$79,753,000) which have delayed payments with poor settlement record. The Group does not hold any collateral over these balances.

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

	2010		2009	
	Denominated currency '000	Equivalent to HK$'000	Denominated currency '000	Equivalent to HK$'000
USD	1,069	8,300	1,501	11,657
GBP	24	293	20	223
AUD	226	1,575	199	1,027

25. DERIVATIVE FINANCIAL INSTRUMENTS

	THE GROUP	
	2010	2009
	Assets	Assets
	HK$'000	HK$'000
Structured foreign currency forward contracts	–	27

Major terms of the structured foreign currency forward contracts as at 31 March 2009 were 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

26. RESTRICTED BANK BALANCES/BANK BALANCES AND CASH

THE GROUP AND THE COMPANY

As at 31 March 2010, bank balances amounting to HK$5,411,000 (2009: 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 0.1% (2009: 0.58%) per annum.

Included in bank balances and cash is an amount of approximately HK$573,931,000 (2009: HK$832,541,000) placed in time deposits for periods from 1 day to 3 months. Such deposits bear fixed interest between 0.02% and 0.78% (2009: 0.01% and 2.56%) per annum.

The remaining bank balances are placed in current and saving accounts, which the former bore no interest and the latter bore market rate at 0.1% (2009: 0.1%) per annum.

27. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**122,441**	162,992	**–**	–
Accrued charges and other payable (note)	**343,612**	222,126	**12,002**	7,882
Trade and other payables	**466,053**	385,118	**12,002**	7,882

Note: The accrued charges include an amount of HK$51,200,000 (2009: HK$35,981,000) as provision mainly for legal and professional expenses relating to a number of legal proceedings disclosed in note 35. Utilisation of such provision amounted to HK$26,038,000 (2009: HK$25,098,000) during the year ended 31 March 2010.

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	2010	2009
	HK$'000	HK$'000
0 – 1 month	**88,831**	96,887
1 – 3 months	**24,632**	56,439
Over 3 months	**8,978**	9,666
	122,441	162,992

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

	2010	2009
	Denominated currency '000	Denominated currency '000
USD	**5,298**	11,853
Equivalent to	**HK$41,135**	HK$91,977

28. BORROWINGS

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

	2010 HK$'000	2009 HK$'000
Carrying amount repayable		
– within one year	116,869	142,724
– in the second year	116,869	142,724
– in the third year	85,210	140,055
– in the fourth year	–	82,043
	318,948	507,546
Less: Amount due within one year shown under current liabilities	(116,869)	(142,724)
Non-current portion	202,079	364,822

All bank loans are variable-rate borrowings which carry interests at Primary Commercial Paper composite rate in Taiwan per annum (2009: Primary Commercial Paper composite rate in Taiwan per annum).

The weighted average effective interest rates (which are equal to contractual interest rates) of borrowings is 2.14% (2009: 2.37%) per annum.

29. FINANCIAL GUARANTEE CONTRACTS

The Company has provided corporate guarantee to support the banking facilities obtained by the group companies.

The fair values were calculated by using the option approach method for the banking facilities obtained by Taiwan subsidiaries and interest differential method for the banking facilities obtained by Hong Kong subsidiaries. Financial guarantee contracts are initially recognised at fair value and subsequently amortised in accordance with HKAS 18 *Revenue* over the guarantee periods, ranging from one to two years.

30. RETIREMENT BENEFIT PLANS

	2010 HK$'000	2009 HK$'000
Obligations on:		
Pensions – defined contribution plans (notes (a) & (b))	3,884	2,942
Defined benefit plans obligations (note (c))	22,705	19,441
	26,589	22,383

Notes:

Hong Kong
Defined contribution plan

(a) The Group operates two (2009: two) Occupational Retirement Schemes Ordinance schemes (the "HK Scheme") 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 Scheme are each set at 5% after deducting the MPF contribution of the employees' salaries including basic salaries, commission and certain bonuses.

The HK Scheme 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 2010, forfeited contributions totalling HK$411,000 were utilised during the year (2009: HK$495,000). At 31 March 2010 and 2009, the Group has no balance available to reduce future contributions in respect of the HK Scheme.

As at 31 March 2010, the Group had no contributions payable under the HK Scheme and the MPF Scheme (2009: Nil).

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 2010 and 31 March 2009.

As at 31 March 2010, the Group had contributions payable under the Taiwan defined contribution scheme totalling HK$3,884,000 (2009: HK$2,942,000) which is included in trade and other payables under current liabilities in the consolidated statement of financial position.

30. RETIREMENT BENEFIT PLANS (continued)

Taiwan (continued)

Defined benefit plans

(c) The Group also operates three (2009: 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% 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 2010, an actuarial valuations of plan assets and the present value of the defined benefits obligations were carried out and valued by a qualified actuary, Client View 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:

	2010 %	2009 %
Discount rate	2.25	2.50
Expected rate of return on plan assets	2.00	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$14,048,000 (2009: HK$12,851,000) and that the actuarial value of these assets represented 38.2% (2009: 39.8%) of the benefits that had accrued to members.

Amounts recognised in profit or loss in respect of these defined benefit plans are as follows:

	2010 HK$'000	2009 HK$'000
Current service cost and transitional liabilities	961	877
Interest on obligation	1,135	1,112
Expected return on plan assets	(326)	(366)
Actuarial losses recognised in the year	338	109
	2,108	1,732

Amount included in staff costs and recognised in profit or loss arising from the Group's obligation in respect of its defined benefit plans is as follows:

	2010 HK$'000	2009 HK$'000
Present value of funded defined benefit obligations	55,941	44,019
Fair value of plan assets	(14,048)	(12,851)
	41,893	31,168
Net actuarial losses not recognised	(19,188)	(11,727)
Net liability arising from defined benefit obligation	22,705	19,441

30. RETIREMENT BENEFIT 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:

	2010 HK$'000	2009 HK$'000
At 1 April	44,019	39,287
Current service cost	943	859
Interest cost	1,135	1,112
Actuarial losses	6,779	7,105
Exchange differences on foreign plans	3,065	(4,344)
At 31 March	55,941	44,019

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

	2010 HK$'000	2009 HK$'000
At 1 April	12,851	13,806
Expected return on plan assets	91	308
Exchange differences on foreign plans	879	(1,482)
Contributions from the employer	227	219
At 31 March	14,048	12,851

The major categories of plan assets, and the expected rate of return at the end of the reporting period for each category, is as follows:

	Expected return		Fair value of plan assets	
	2010 %	2009 %	2010 HK$'000	2009 HK$'000
Equity instruments	3.22	2.93	4,141	3,538
Debt instruments	2.07	2.21	4,520	5,260
Bank deposit	1.00	2.50	5,387	4,053
Weighted average expected return	2.00	2.50	14,048	12,851

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$91,000 (2009: HK$308,000).

The plan assets include ordinary shares of the Company with a fair value of HK$4,141,000 (2009: HK$3,538,000).

30. RETIREMENT BENEFIT PLANS (continued)

Taiwan (continued)

Defined benefit plans (continued)

The history of experience adjustments is as follows:

	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000
Present value of defined benefit obligation	(55,941)	(44,019)	(39,287)	(33,352)
Fair value of plan assets	14,048	12,851	13,806	11,166
Deficit	(41,893)	(31,168)	(25,481)	(22,186)

31. SHARE CAPITAL

	Authorised Ordinary shares	
	No. of shares	HK$'000
At 31 March 2008, 31 March 2009 and 31 March 2010	4,600,000,000	4,600,000

	Issued and fully paid Ordinary shares	
	No. of shares	HK$'000
At 31 March 2008, 31 March 2009 and 31 March 2010	2,412,496,881	2,412,497

32. SHARE INCENTIVE 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 may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for Shares in the Company.

At 31 March 2010, the number of shares in respect of which options had been granted and remained outstanding under the Schemes was 53,174,000 (2009: 33,524,000), representing 2.2% (2009: 1.39%) 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 shareholders of the Company. 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 shareholders of the Company.

32. SHARE INCENTIVE SCHEMES (continued)

Share Option Schemes adopted by the Company (continued)

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 vesting date 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 trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

(a) 2000 Share Option Scheme

Details of the terms and movements of the 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 01.04.2009**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Cancelled during the year**	**Balance as at 31.03.2010**
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	656,000	–	–	–	–	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	–	–	(3,250,000)	–	14,600,000
	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
				23,124,000	–	–	(4,250,000)	–	18,874,000
Exercisable at the end of the year									18,874,000
Weighted average exercise price				2.957	–	–	(3.102)	–	2.924

32. SHARE INCENTIVE 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 01.04.2008	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	–	–	–	–	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
Exercisable at the end of the year									14,984,000
Weighted average exercise price				2.921	–	(1.670)	–	–	2.957

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

32. SHARE INCENTIVE SCHEMES (continued)

(b) 2007 Share Option Scheme

On 30 July 2007, the Company adopted another share option scheme. Upon adoption of the 2007 Share Option Scheme, the operation of the 2000 Share Option Scheme was terminated. However, 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 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 01.04.2009	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Balance as at 31.03.2010
Director	02.10.2008	HK$1.880	01.10.2013	10,000,000	–	–	–	–	10,000,000
	02.10.2009	HK$1.000	01.10.2014	–	10,000,000	–	–	–	10,000,000
	01.02.2010	HK$1.064	31.01.2013	–	9,000,000	–	–	–	9,000,000
Employees and Advisor	20.01.2009	HK$1.000	04.01.2014	400,000	–	–	–	–	400,000
	05.01.2010	HK$1.070	04.01.2015	–	400,000	–	–	–	400,000
	01.03.2010	HK$1.110	28.02.2015	–	500,000	–	–	–	500,000
	01.03.2010	HK$1.110	29.07.2017	–	4,000,000	–	–	–	4,000,000
				10,400,000	23,900,000	–	–	–	34,300,000
Exercisable at the end of the year									10,400,000
Weighted average exercise price				1.846	1.046	–	–	–	1.289

32. SHARE INCENTIVE SCHEMES (continued)

(b) 2007 Share Option Scheme (continued)

				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
Employee	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

The options granted under the 2007 Share Option Scheme (except the 4 million options granted on 1 March 2010) fully vested on the 1st anniversary of the respective dates of grant.

The 4 million options granted under the 2007 Share Option Scheme on 1 March 2010 vest as follows:

On 1st anniversary of the date of grant	50% vest
On 2nd anniversary of the date of grant	remaining 50% vest

No options were exercised, lapsed and cancelled under the 2007 Share Option Scheme during the year.

During the year ended 31 March 2010, options were granted on 2 October 2009, 5 January 2010, 1 February 2010 and 1 March 2010 respectively. The estimated fair values of the shares covered by the respective options issued on those dates are HK$2,664,000, HK$115,000, HK$2,309,000 and HK$1,313,000.

32. SHARE INCENTIVE SCHEMES (continued)

(b) 2007 Share Option Scheme (continued)

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 periods respectively. The inputs into the model with different issue dates were as follows:

Grant date	2 October 2008	20 January 2009	2 October 2009	5 January 2010	1 February 2010	1 March 2010	1 March 2010	1 March 2010
Valuation date	2 October 2008	20 January 2009	2 October 2009	5 January 2010	1 February 2010	1 March 2010	1 March 2010	1 March 2010
Share price	HK$1.80	HK$1.00	HK$0.99	HK$1.07	HK$1.06	HK$1.11	HK$1.11	HK$1.11
Exercise price	HK$1.88	HK$0.87	HK$1.00	HK$1.07	HK$1.064	HK$1.11	HK$1.11	HK$1.11
Expected volatility	40%	45%	50.7%	49.8%	57.4%	47.3%	47.3%	49.6%
Risk-free rate	2.61%	1.66%	1.64%	1.97%	0.99%	2.33%	2.33%	1.67%
Expected dividend yield	9.0%	0% until 31.03.2010, 4.5% thereafter	5.75%	5.75%	5.94%	4.11%	4.11%	5.75%
Exercisable period	2 to 5 years	2 to 5 years	2 to 5 years	2 to 5 years	2 to 3 years	7.42 years	7.42 years	2 to 5 years
Vesting period	1 year	1 year	1 year	1 year	1 year	1 year	2 years	1 year
Fair value per option	HK$0.3405	HK$0.2369	HK$0.2664	HK$0.2873	HK$0.2566	HK$0.3255	HK$0.2616	HK$0.2772

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 5 years as of the respective valuation date and to match the expected life of the option.

32. SHARE INCENTIVE SCHEMES (continued)

(c) Share Subscription Plan adopted by the Company

The Company adopted a Share Subscription and Financing Plan (the "Subscription Plan") on 8 November 2007. Under the 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 invitations issued under the Subscription Plan is limited to 70,000,000 shares, representing 2.9% of the issued shares of the Company as at 8 November 2007.

Details of the terms and movements of the invitations issued under the Subscription Plan are as follows:

				Number of subscription right					
Category of grantee	**Date of grant**	**Subscription price per share**	**Expiry date**	**Balance as at 01.04.2009**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Cancelled during the year**	**Balance as at 31.03.2010**
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	43,218,000	–	–	(4,284,000)	–	38,934,000
	26.02.2008	HK$2.49	24.02.2013	1,000,000	–	–	–	–	1,000,000
				46,472,000	–	–	(4,284,000)	–	42,188,000
Eligible for subscription at the end of the year									28,125,333
Weighted average subscription price				2.128	–	–	(2.120)	–	2.129

32. SHARE INCENTIVE 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 01.04.2008	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	–	–	(610,000)	–	43,218,000
	26.02.2008	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

The invitations issued under the Subscription Plan vest as follows:

On 1st anniversary of the date of grant	33 1/3% vest
On 2nd anniversary of the date of grant	further 33 1/3% vest
On 3rd anniversary of the date of grant	remaining 33 1/3% vest

No share invitations were issued, exercised and cancelled under the Subscription Plan during the year.

The Group and the Company recognised the total expense of HK$14,243,000 and HK$13,042,000, respectively, for the year ended 31 March 2010 (2009: HK$28,574,000 and HK$24,424,000) in relation to options granted under the Share Option Schemes and invitations issued under the Subscription Plan of the Company and the subsidiaries.

(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.

32. SHARE INCENTIVE 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, 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 20 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"). On 12 June 2009, Aim High Investments Limited ("AHIL") adopted a share option scheme (the "2009 AHIL Share Option Scheme"). Under the 2008 Subsidiary Share Option Schemes and the 2009 AHIL Share Option Scheme, the Other Subsidiaries and AHIL 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, NMWL and AHIL. The number of shares which may be issued upon exercise of all outstanding options granted under the 2008 Subsidiary Share Option Schemes and 2009 AHIL Share Option Scheme 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

				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									–

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

No options were exercised or cancelled under the 2002 Subsidiary Share Option Schemes during the year. As at 31 March 2010, there were no outstanding options granted under the 2002 Subsidiary Share Option Schemes.

32. SHARE INCENTIVE 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 options granted pursuant to the 2007 Subsidiary Share Option Schemes are as follows:

Category of grantee	Date of grant	Exercise price per share	Expiry date	Number of options: Balance as at 01.04.2009	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Balance as at 31.03.2010
ADPDL									
Director	14.10.2009	HK$0.01	31.03.2010	–	16,688	(16,688)	–	–	–

Category of grantee	Date of grant	Exercise price per share	Expiry date	Number of options: 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	25.08.2009	HK$0.01	23.09.2009	–	108,344	(108,344)	–	–	–

Under the 2007 Subsidiary Share Option Schemes, options granted on 25 August 2008 vested immediately whilst options granted on 14 October 2009 vested on 1 December 2009.

32. SHARE INCENTIVE 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 options granted pursuant to the 2008 Subsidiary Share Option Schemes are as follows:

Category of grantee	Date of grant	Exercise price per share	Expiry date	Number of options: Balance as at 01.04.2009	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Balance as at 31.03.2010
ACIL									
Employees	01.04.2008	Not yet determined	Not yet determined	60,000	–	–	(60,000)	–	–
	22.04.2009	Not yet determined	Not yet determined	–	30,000	–	(30,000)	–	–
				60,000	30,000	–	(90,000)	–	–
Exercisable at the end of the year									–
Weighted average exercise price				0.01	0.01	–	(0.01)	–	–

Category of grantee	Date of grant	Exercise price per share	Expiry date	Number of options: Balance as at 01.04.2009	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Balance as at 31.03.2010
NMAL									
Employees	14.10.2009	Not yet determined	Not yet determined	–	819,500	–	(132,000)	–	687,500
Employees	04.01.2010	Not yet determined	Not yet determined	–	35,000	–	–	–	35,000
				–	854,500	–	(132,000)	–	722,500
Exercisable at the end of the year									–
Weighted average exercise price				0.01	0.01	–	(0.01)	–	0.01

32. SHARE INCENTIVE SCHEMES (continued)

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

(iii) 2008 Subsidiary Share Option Schemes (continued)

				Number of options					
Category of grantee	Date of grant	Exercise price per share	Expiry date	Balance as at 01.04.2008	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	HK$0.01	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, exercised, lapsed or cancelled 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.

The options granted under the 2008 Subsidiary Share Option Scheme of NMAL 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

32. SHARE INCENTIVE SCHEMES (continued)

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

(iv) 2009 AHIL Share Option Scheme

No options were granted, exercised, lapsed or cancelled under the 2009 AHIL Subsidiary Share Option Scheme during the year.

Black-Scholes Model has been used for assessing the fair value of the options granted under the 2007 and 2008 Subsidiary Share Option Schemes during the year ended 31 March 2009. Binomial Model has been used for assessing the fair values of the options granted under the 2007 and 2008 Subsidiary Share Option Schemes during the year ended 31 March 2010. During the year, the Group recognised the total expense of HK$1,201,000 for the year ended 31 March 2010 (2009: HK$4,150,000) in relation to options granted by the Subsidiaries.

Grant date	1 April 2008	25 August 2008	22 April 2009	14 October 2009	14 October 2009	4 January 2010
Subsidiary scheme	ACIL	ADPDL	ACIL	ADPDL	NMAL	NMAL
Valuation date	1 April 2008	25 August 2008	22 April 2009	14 October 2009	14 October 2009	4 January 2010
Share price	HK$0.01	HK$38.30	HK$0.01	HK$72.00	HK$0.01	HK$0.01
Exercise price	HK$0.01	HK$0.01	HK$0.01	HK$0.01	HK$0.01	HK$0.01
Expected volatility	39.94% (Note 1)	43.93% (Note 1)	49.20% (Note 1)	48.30% (Note 2)	66.60% (Note 2)	65.30% (Note 2)
Risk-free rate	2.016%	0.94%	1.89%	0.11%	2.10%	2.70%
Expected dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Exercisable period	–	15 days	–	4 months	–	–
Vesting period	3 years	–	3 years	1.5 months	3 years	3 years
Fair value per option	HK$0.004	HK$38.30	HK$0.005	HK$71.99	HK$0.007	HK$0.007

Note 1: Expected volatility was determined by using the historical volatility of the company's share price over the period from 30 days to 6 years.

Note 2: Expected volatility was determined by using the historical volatility of comparable companies' share prices corresponding to the terms of options from their respective valuation dates.

33. RESERVES

	Share premium HK$'000	Share based payment reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
THE COMPANY				
At 1 April 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
Profit for the year	–	–	2,150	2,150
Recognition of equity-settled share based payment	–	13,042	–	13,042
Lapse of share options	–	(7,364)	7,364	–
At 31 March 2010	918,712	58,774	357,318	1,334,804

34. 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	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
At beginning of the year	73,257	81,997	223,386	237,273	296,643	319,270
Credit to profit or loss	(4,095)	(4,054)	–	(329)	(4,095)	(4,383)
Tax effect of change in tax rate	–	(4,686)	–	(13,558)	–	(18,244)
At end of the year	69,162	73,257	223,386	223,386	292,548	296,643

34. DEFERRED TAX (continued)

THE GROUP (continued)

Deferred tax assets	Tax losses		Others		Total	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At beginning of the year	**(1,984)**	(6,630)	**(49)**	(82)	**(2,033)**	(6,712)
Charge to profit or loss	**465**	4,268	**49**	28	**514**	4,296
Tax effect of change in tax rate	**–**	378	**–**	5	**–**	383
At end of the year	**(1,519)**	(1,984)	**–**	(49)	**(1,519)**	(2,033)

For the purpose of statement of financial position presentation, certain deferred tax assets and liabilities have been offset.

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

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
At beginning of the year	**294,610**	312,558	**12,300**	8,567
(Credit) charge to profit or loss	**(3,581)**	(87)	**1,684**	4,222
Tax effect of change in tax rate	**–**	(17,861)	**–**	(489)
At end of the year (shown as non-current liabilities)	**291,029**	294,610	**13,984**	12,300

As at 31 March 2010, the Group had estimated unused tax losses of approximately HK$976,970,000 (2009: HK$1,002,145,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$9,205,000 (2009: HK$12,022,000) of such loss. No deferred tax asset has been recognised in respect of the remaining approximately HK$967,765,000 (2009: HK$990,123,000) due to the unpredictability of future profits streams. The expiry dates of these tax losses are as follows:

	2010	2009
	HK$'000	HK$'000
Indefinite	**584,422**	546,350
Expiry in:		
2013	**168,917**	290,565
2014	**223,631**	165,230
	976,970	1,002,145

34. DEFERRED TAX (continued)

THE COMPANY

Deferred tax liabilities	Accelerated tax depreciation	
	2010	2009
	HK$'000	HK$'000
At beginning of the year	13,113	13,341
Charge to profit or loss	871	534
Tax effect of change in tax rate	–	(762)
At end of the year	13,984	13,113

Deferred tax assets	Tax losses		Others		Total	
	2010	2009	2010	2009	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At beginning of the year	(813)	(4,740)	–	(34)	(813)	(4,774)
Charge to profit or loss	813	3,656	–	32	813	3,688
Tax effect of change in tax rate	–	271	–	2	–	273
At end of the year	–	(813)	–	–	–	(813)

As at 31 March 2009, the Company had estimated unused tax losses of approximately HK$4,928,000 available for offset against future profits that may be carried forward indefinitely. The amount brought forward from the year ended 2009 has been fully utilized to net off with taxable temporary differences of the Company.

35. CONTINGENT LIABILITIES

THE GROUP

(a) Pending litigations

As at 31 March 2010, 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 and legal action was taken by UDL with the High Court against ADPL and Mr. Lai Chee Ying, Jimmy for the claim made in 2007.

35. CONTINGENT LIABILITIES

THE GROUP (continued)

(a) Pending litigations (continued)

Pursuant to the judgment issued by the High Court on 18 January 2008, the default judgment against ADPL had been set aside and the proceedings against ADPL had been referred to arbitration. UDL had been ordered to pay 20% of ADPL's cost on the application to set aside the default judgment. ADPL also obtained an order for payment of all of its costs in relation to the application for a stay of proceedings to arbitration from UDL and the amount had been received in July 2008.

This legal case has no further development since the issue of the audited consolidated financial statements for the year ended 31 March 2009 dated 5 June 2009.

The Group has accrued approximately HK$51,200,000 legal and professional expenses in trade and other payables as at 31 March 2010 (At 31 March 2009: HK$35,981,000) and provision has been recognised in respect of the outstanding legal proceedings based on advice obtained from legal counsel. The directors are of the opinion that the claims can be successfully defended by the Group.

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

(b) Guarantees

In connection with the acquisition of Database Gateway Limited ("DGL") and its subsidiaries (the "Acquired Group") on 26 October 2001, Mr. Lai Chee Ying, Jimmy, 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 2010, the Company provided various corporate guarantees 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$591,087,000 (2009: HK$775,390,000), of which HK$324,438,000 (2009: HK$513,037,000) has been utilised by its subsidiaries. As at the end of the reporting period, an amount of HK$1,773,000 (2009: HK$4,192,000) has been recognised in the statement of financial position as liabilities.

36. COMMITMENTS

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

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Authorised but not contracted for	51,126	50
Contracted but not provided for	85,293	9,235
	136,419	9,285

The Company did not have any capital commitment at the end of the reporting period.

(b) Commitments under operating leases

The Group as lessee

At 31 March 2010, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2010			2009		
	Properties	Plant and equipment	Total	Properties	Plant and equipment	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Within one year	6,884	9,908	16,792	4,179	8,143	12,322
In the second to fifth years inclusive	4,302	6,540	10,842	392	4,174	4,566
	11,186	16,448	27,634	4,571	12,317	16,888

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.

36. COMMITMENTS (continued)

(b) Commitments under operating leases (continued)

The Group as lessor

Rental income earned during the year was HK$1,764,000 (2009: HK$1,686,000).

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases:

	2010 HK$'000	2009 HK$'000
Within one year	953	1,183
In the second to fifth years inclusive	548	233
	1,501	1,416

37. 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	
	2010 HK$'000	2009 HK$'000
Short-term benefits	30,425	19,565
Share-based payments	5,875	7,859
Post-employment benefits	–	280
	36,300	27,704

(b) Related party transactions

Best Combo Limited, Taiwan Branch ("Best Combo") is a related party of the Group by virtue of its being a company indirectly wholly owned by Mr. Lai Chee Ying, Jimmy, a director and the controlling shareholder of the Company. During the year, transactions carried out with Best Combo in relation to the rental expense and purchase of services have amounted to a year ended balance of NTD5,590,000 (equivalent to HK$1,379,000). These mainly related to contracts entered into between Best Combo and the Group's subsidiary companies in the ordinary course of business, which contracts were negotiated on normal commercial terms and on an arm's length basis with reference to the prevailing market conditions.

37. RELATED PARTY DISCLOSURE (continued)

(b) Related party transactions (continued)

Pursuant to Rule 14A.31(2) of the Listing Rules, the above transactions have been exempted from all the reporting, announcement and independent shareholders' approval requirements. The directors (including the independent non-executive directors) considered that terms of the transactions were fair and reasonable and were arrived at arm's length negotiation and further that the transaction were on normal commercial terms and in the interest of the Company and its shareholders as a whole.

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company at 31 March 2010 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 Daily I. P. Limited	British Virgin Islands	1 ordinary share of US$1.00	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$1.00 each	100	Printing of newspaper (Note b)
Apple Daily Publication Development Limited	Hong Kong	10,834,250 ordinary shares of HK$0.01 each	93.05	Publication and selling of newspaper and selling of newspaper advertising space (Note d)
Database Gateway Limited	British Virgin Islands	739,001,531 ordinary shares of HK$1.00 each	100 (Note a)	Investment holding (Note b)
Easy Finder I.P. Limited	British Virgin Islands	11,000 ordinary shares of US$1.00 each	100	Holding of masthead and publishing rights of magazines (Note b)
FACE Magazine Limited	Hong Kong	10,000 ordinary shares of HK$1.00 each	100	Publication and selling of magazines (Note b)

38. 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$1.00 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$1.00 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$1.00 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$1.00 each	100	Selling of magazines advertising space (Note b)
Next Media Animation Limited	Hong Kong	10,000,000 ordinary shares of HK$0.01 each	100	Animation production (Note d)
Next Magazine Publishing Limited	Hong Kong	1,000 ordinary shares of HK$1.00 each	100	Publication and selling of magazines (Note b)
Next Media Broadcasting Limited	Taiwan	7,710,000 ordinary shares of NTD10.00 each	100	Holding of television investments (Note c)
Next Media Distribution Service Limited	Taiwan	120,000 ordinary shares of NTD10.00 each	100	Distribution and marketing of television productions (Note c)
Next Media I. P. Limited	British Virgin Islands	1,000 ordinary shares of HK$1.00 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$1.00 each	100	Provision of internet subscription, contents and selling of advertising space (Note d)

38. 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 Management Services Limited	Hong Kong	2 ordinary shares of HK$1.00 each	100	Provision of management services (Note b)
Next Media Publishing Limited	Hong Kong	10,282,778 ordinary shares of HK$0.01 each	97.50	Publication and selling of magazines and selling of magazines advertising space (Note d)
Next Media Webcast Limited	Hong Kong	10,000,000 ordinary shares of HK$0.01 each	100	Webcasting (Note b)
Next TV Broadcasting Limited	Taiwan	5,000,000 ordinary shares of NTD10.00 each	100	Television licences holder and operator (Note c)
Paramount Printing Company Limited	Hong Kong	15,000 ordinary shares of HK$100.00 each	100	Provision of printing services (Note b)
Sudden Weekly Limited	Hong Kong	2 ordinary shares of HK$1.00 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 operated in Hong Kong.

Note (c): The subsidiary operated in Taiwan.

Note (d): The subsidiary operated in both Hong Kong and Taiwan.

FIVE YEARS FINANCIAL SUMMARY

For the year ended 31 March 2010

	Year ended 31 March				
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000	**2010 HK$'000**
RESULTS					
Revenue	3,322,024	3,245,163	3,483,794	3,291,501	**3,126,199**
Profit attributable to equity holders of the parent	440,766	344,435	521,323	257,484	**317,876**
Minority interests	–	(2,022)	–	–	**2,881**
Profit for the year	440,766	342,413	521,323	257,484	**320,757**

	As at 31 March				
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000	**2010 HK$'000**
ASSETS AND LIABILITIES					
Total assets	4,484,787	4,601,427	4,598,314	4,333,297	**4,645,486**
Total liabilities	(1,085,190)	(1,244,604)	(1,188,775)	(1,215,879)	**(1,127,675)**
	3,399,597	3,356,823	3,409,539	3,117,418	**3,517,811**
Equity attributable to equity holders of parent	3,397,537	3,356,785	3,409,496	3,117,375	**3,514,473**
Minority interests	2,060	38	43	43	**3,338**
	3,399,597	3,356,823	3,409,539	3,117,418	**3,517,811**

GLOSSARY

2007 AGM	The Company's Annual General Meeting held on 30 July 2007
2009 AGM	The Company's Annual General Meeting held on 20 July 2009
2000 Share Option Scheme	The share option scheme that was adopted by the Company on 29 December 2000 and amended to comply with the requirements of Chapter 17 of the Listing Rules on 31 July 2002
2007 Share Option Scheme	The share option scheme that was adopted by the Company with terms complied with the requirements of Chapter 17 of the Listing Rules on 30 July 2007
AGM	The Company's Annual General Meeting
Articles of Association	The Company's Articles of Association
Board	The Board of the Company
CEO	The Chief Executive Officer of the Group
CFO	The Chief Financial Officer of the Group
Co-CEO	The Co-Chief Executive Director of the Group
Code	The Code on Corporate Governance Practices, Appendix 14 to the Listing Rules
Company	Next Media Limited
COO	The Chief Operating Officer of the Group
Director(s)	Director(s) of the Company
ED(s)	Executive director(s) of the Company
Financial Statements	The audited consolidated financial statements for the year ended 31 March 2010
Foundation	Apple Daily Charitable Foundation, a charitable institution founded in 1995 with an initial endowment from *Apply Daily* and was recognised under section 88 of the Inland Revenue Ordinance of the Hong Kong Government
Group	Next Media Limited and together with its subsidiaries

GLOSSARY

INED(s)	Independent non-executive director(s) of the Company
Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Model Code	The Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 to the Listing Rules
NED	Non-Executive Director of the Company
Subscription Plan	The share subscription and financing plan adopted by the Company on 29 October 2007
SFO	Securities and Futures Ordinance
Share(s)	Ordinary share(s) of HK$1.00 each of the Company
Shareholders	Shareholders of the Company
Stock Exchange	The Stock Exchange of Hong Kong Limited
Subsidiary Share Option Schemes	The share option schemes adopted by Aim High Investments Limited, Apple Community Infonet Limited, Apple Daily Publication Development Limited, Next Media Animation Limited, Next Media Publishing Limited and Next Media Webcast Limited

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