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Annual Report 2010/11

NEXTmedia

Next Media Limited

Stock Code : 00282

POWER ON

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ABOUT US

NEXT MEDIA ALREADY PUBLISHES HONG KONG AND TAIWAN'S MOST-POPULAR AND HIGHLY REGARDED NEWSPAPERS AND MAGAZINES, AND OPERATES THEIR MOST-VISITED NEWS PORTALS. NOW WE'RE EXPANDING THE SCOPE OF OUR OPERATIONS TO INCLUDE ANIMATED NEWS AND A TV NETWORK IN TAIWAN.

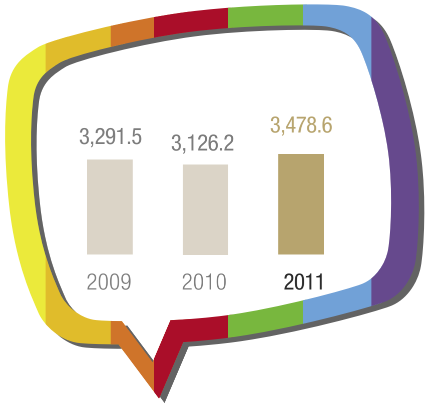
BUSINESS REVIEW

FINANCIAL REPORT

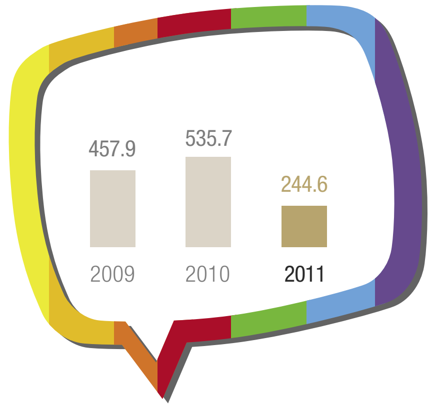
GLOSSARY

FINANCIAL HIGHLIGHTS

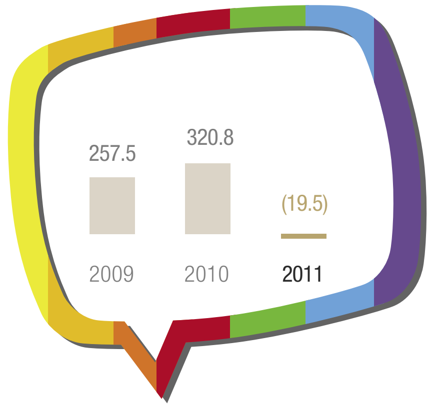
Next Media's operating results for the year were generally in line with its expectations – and even exceeded them in some areas. Riding on the steady improvement in economic conditions, the Company performed better during the second half than in the first, and it is now poised to take full advantage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



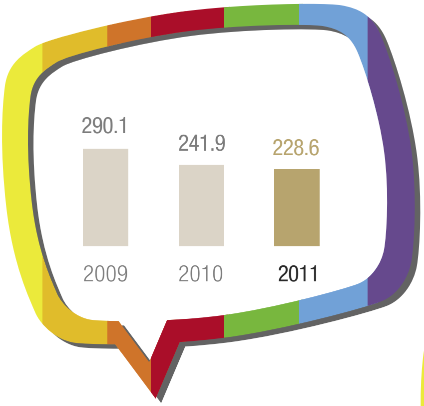
REVENUE (HK$ MILLION)



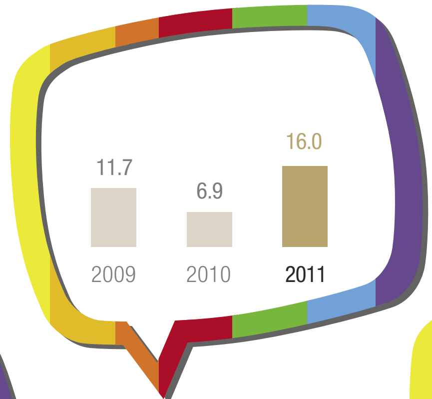
EBITDA AFTER NON-CONTROLLING INTERESTS (HK$ MILLION)



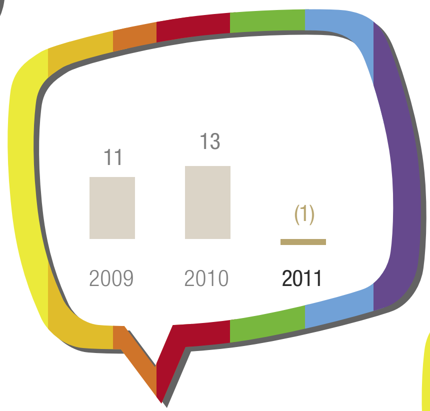
NET PROFIT (LOSS) FOR THE YEAR (HK$ MILLION)



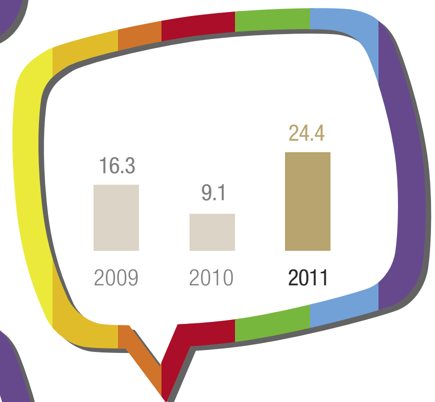
CURRENT RATIO (%)



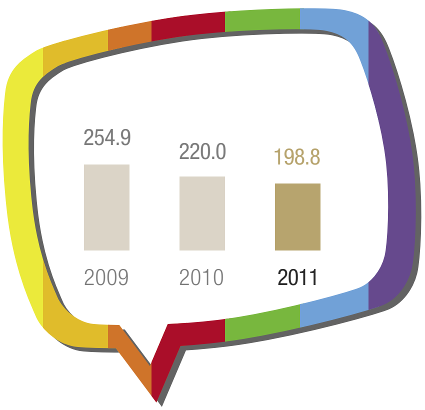
GEARING RATIO (%)



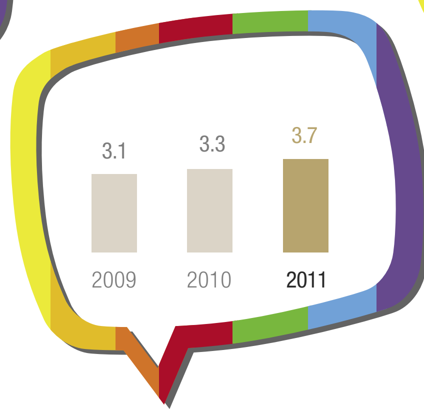
BASIC EARNINGS (LOSS) PER SHARE (HK CENTS)



DEBT TO EQUITY RATIO (%)



QUICK RATIO (%)



WORKING CAPITAL TURNOVER

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

I have pleasure in reporting Next Media's financial results for the year ended 31 March 2011.

As you know, we made a loss during the 2010/11 financial year. That is the type of news that gets the headlines in the newspapers, and it can cause a lot of concern. So, I would like to begin by discussing this subject.

THE BIG PICTURE ON THE SMALL SCREEN

All of our established, revenue-generating print media operations achieved excellent results. The loss was mainly due to the seed money we invested in the Group's Taiwan TV operations last year.

Next Media never allows itself to be complacent. We know our competitors will always be snapping at our heels, so we believe in the old proverb "If you rest, you rust". We also heed the warning of an American writer that "Those who are unwilling to invest in their own future won't earn themselves one." We constantly stay alert for fresh opportunities that will allow us to reap even better results in the coming years.

Having realised more than a decade ago that Hong Kong's mature and crowded media environment offered only limited opportunities for the further growth of our business there, Next Media pinpointed Taiwan as an ideal place for its continued expansion.

Since then, our initiatives on the island have achieved tremendous results in a short period of time. *Taiwan Apple Daily* has conquered the newspaper market, whereas *Taiwan Next Magazine Bundle* has built an unassailable lead in the magazine sector. Both have attracted loyal readerships and demonstrated their value to advertisers.

Now we have turned our attention to Taiwan's TV industry. Like its print media before we became involved, this industry's most obvious characteristics are its poor quality, antiquated technology, and the lack of meaningful choice it offers to consumers. In other words, it is ripe for the kind of shake-up that Next Media has brought about on the newspaper and magazine scene. Therefore, we have spent the past two years focusing on ways to provide viewers with more-attractive content as well as a wider choice of platforms for watching it.

We launched two Internet Protocol TV (IPTV) channels for news and variety programming at the end of December 2010. This is already being enjoyed in more than 100,000 homes that have installed set-top boxes provided by us on loan and free of charge. Our video-on-demand service was also launched during the same month. In the meantime, we are focusing on creating high-definition (HD) content and alternatives to cable TV.

In short, while the Taiwan TV operations are not yet generating revenue, we have every confidence it will do so in the future, as its channels reach out to a mass audience and we breathe new life into Taiwan's TV industry.

UNRIVALLED PERFORMANCES

Meanwhile, our newspapers and magazines went full steam ahead in the year under review. Buoyed by the effects of the strong performance of the Hong Kong and Taiwan economies, and heedless of the competition for readers and advertising dollars from other print and online media, most of them surpassed their revenue targets and outperformed the sales and circulation performance of their nearest rivals.

Our two daily newspapers, *Apple Daily* in Hong Kong and *Taiwan Apple Daily*, both retained their leads in their paid-for newspaper markets, and they both notched up particularly impressive rises in their advertising revenues.

Meanwhile, our weekly magazines stayed ahead in their respective categories. *Next Magazine Bundle*'s advertising revenue and readership figures surged significantly, while *Sudden Weekly Bundle*'s advertising income also leapt substantially, and *FACE Bundle* attracted many new readers. *Taiwan Next Magazine Bundle*'s readership figures and advertising revenue were both up by almost a quarter, compared to the previous year.

Our newspaper printing and commercial printing businesses managed to head off serious competition from Mainland China to deliver double-digit percentage increase on their revenues from external sources. The Internet Division made considerable headway in further expanding its range of offerings while reducing its deficit.

At the same time, we continuously upgraded the quality and professionalism of our media and strengthened our relationships with readers and advertisers. We maintained an emphasis on keeping our costs under control as well.

The way we see it, the economic outlook for Hong Kong and Taiwan is likely to remain good during the coming year, although there are still some unresolved issues in the global economic and political environment may yet have an adverse effect on them.

The strong positions our print publications occupy in the marketplace and their attractiveness to advertisers will ensure they remain our core assets in the coming year; but as we ramp up our TV operations in Taiwan, these will also start to play an important role.

Next Media has always maintained an optimistic outlook. Like the Chinese proverb says, "If I keep a green bough in my heart, the singing birds will eventually come".

We have never been content simply to be the best. Instead, we have always strived to grow and become even better than before. By allowing the quality of our people, our work and our products to speak for themselves, we will always attract the "singing birds" of continued success.

A WORD OF GRATITUDE

In conclusion, I would like to offer my sincere thanks to the remarkable people in our Hong Kong and Taiwan teams. Your extremely hard work, resourcefulness and enthusiasm have made all our accomplishments possible during the year under review.

And we must not overlook the contributions of our readers, advertisers and shareholders. Your loyalty and support have never wavered, and we will work with renewed energy to justify your faith in us.

Jimmy Lai
Chairman

movin' on NEW HORIZONS


壹電視
「真實謊言」節目
徵求參賽者
200
THE MOMENT OF TRUTH
真實
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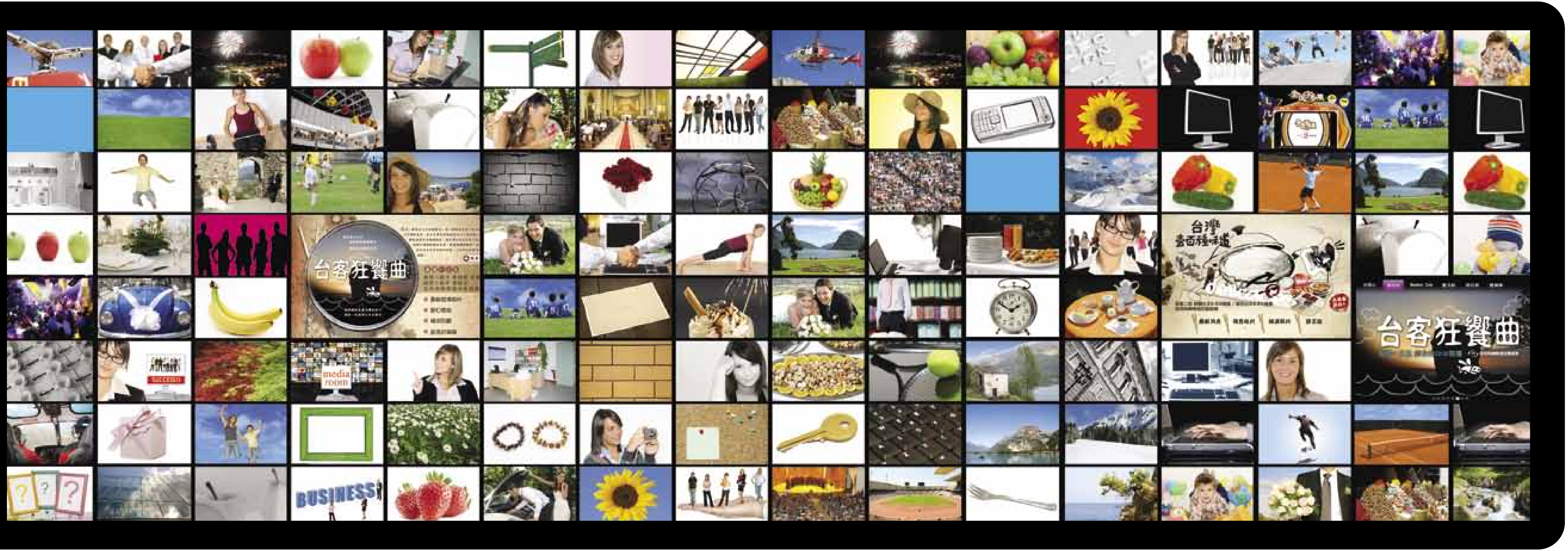
BUSINESS


台客狂饗曲
media
room
BUSINESS
台客狂饗曲

MANAGEMENT DISCUSSION & ANALYSIS

A number of upheavals and uncertainties overshadowed the economies of the world's developed countries during 2010. Sovereign debt crises erupted in the Euro zone's so-called "PIGS" countries (Portugal, Ireland, Greece and Spain) in the first half, while the US government resorted to more large-scale quantitative easing measures in an ongoing effort to help its economy to recover from the deepest recession since the 1930s. In fact, the fragility of the US recovery continues to cause global concern.

In contrast, most emerging economies fared better. China powered ahead to overtake Japan as the world's second-biggest economy, and Germany as the biggest exporter. China's rapid progress had a favourable effect on both the markets where Next Media operates, namely Hong Kong and Taiwan.

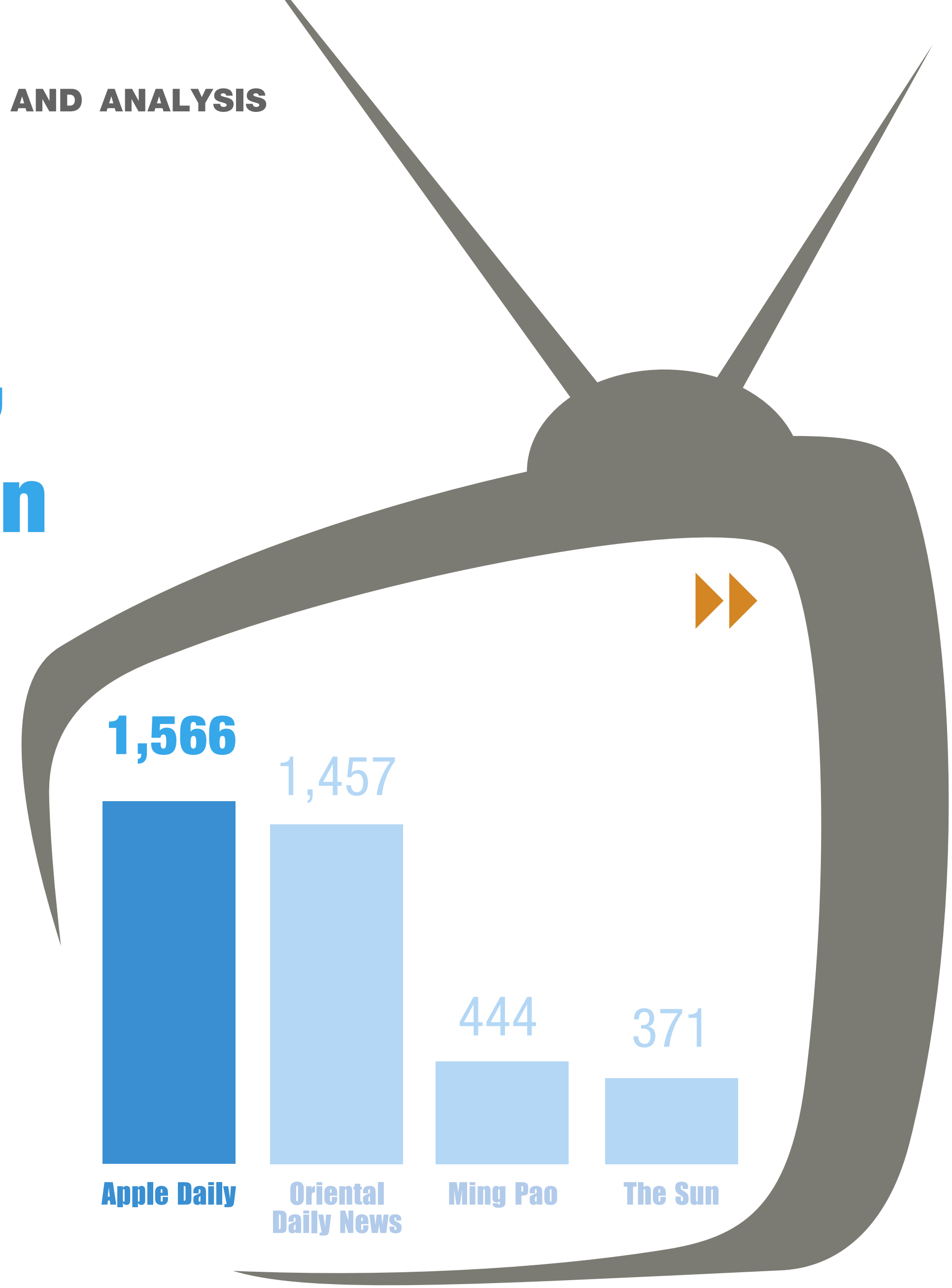
The positive background was reflected in the results of Next Media's print publications, most of which exceeded the Group's expectations during the year ended 31 March 2011. The fact that the Group's publications outperformed most of their industry peers and maintained their leading edge in both Hong Kong and Taiwan speaks volumes about their high quality, their strong bonds with readers and advertisers, and the professionalism of their people. It also attests to the Group's dynamic strategies for building its business, and its effectiveness in controlling costs.

Having said that, the operating environment for traditional print media remained challenging throughout the year, due to strong competition for advertising dollars and the public's increasing attention to online and other electronic news and entertainment sources.

The segmental profits of the Group's publication and printing operations amounted to HK$601.4 million during the year under review. Meanwhile, the sizeable investments made in its nascent TV operation in Taiwan – which is not yet fully operational – resulted in the TV Division recording a segmental loss of HK$459.2 million. The Internet Division recorded a segmental loss of HK$49.7 million. Consequently, Next Media made a consolidated loss of HK$19.5 million, compared to a profit of HK$320.8 million during the previous financial year.

Top Four Newspapers' Readership in Hong Kong

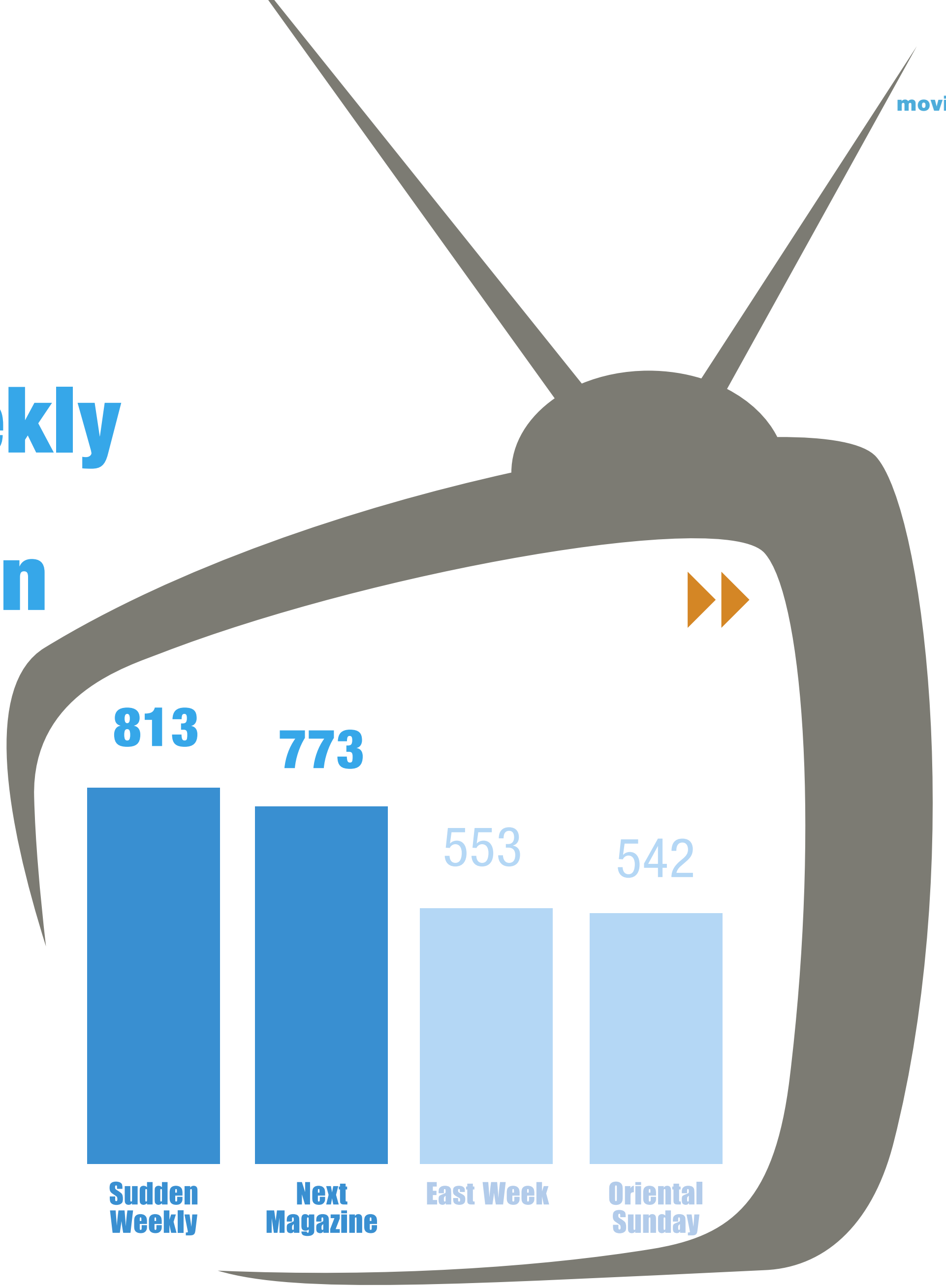
for the period from Jan — Dec 2010 '000



Source:
The 2010 Nielsen Media Index: Hong Kong Report (January — December 2010)

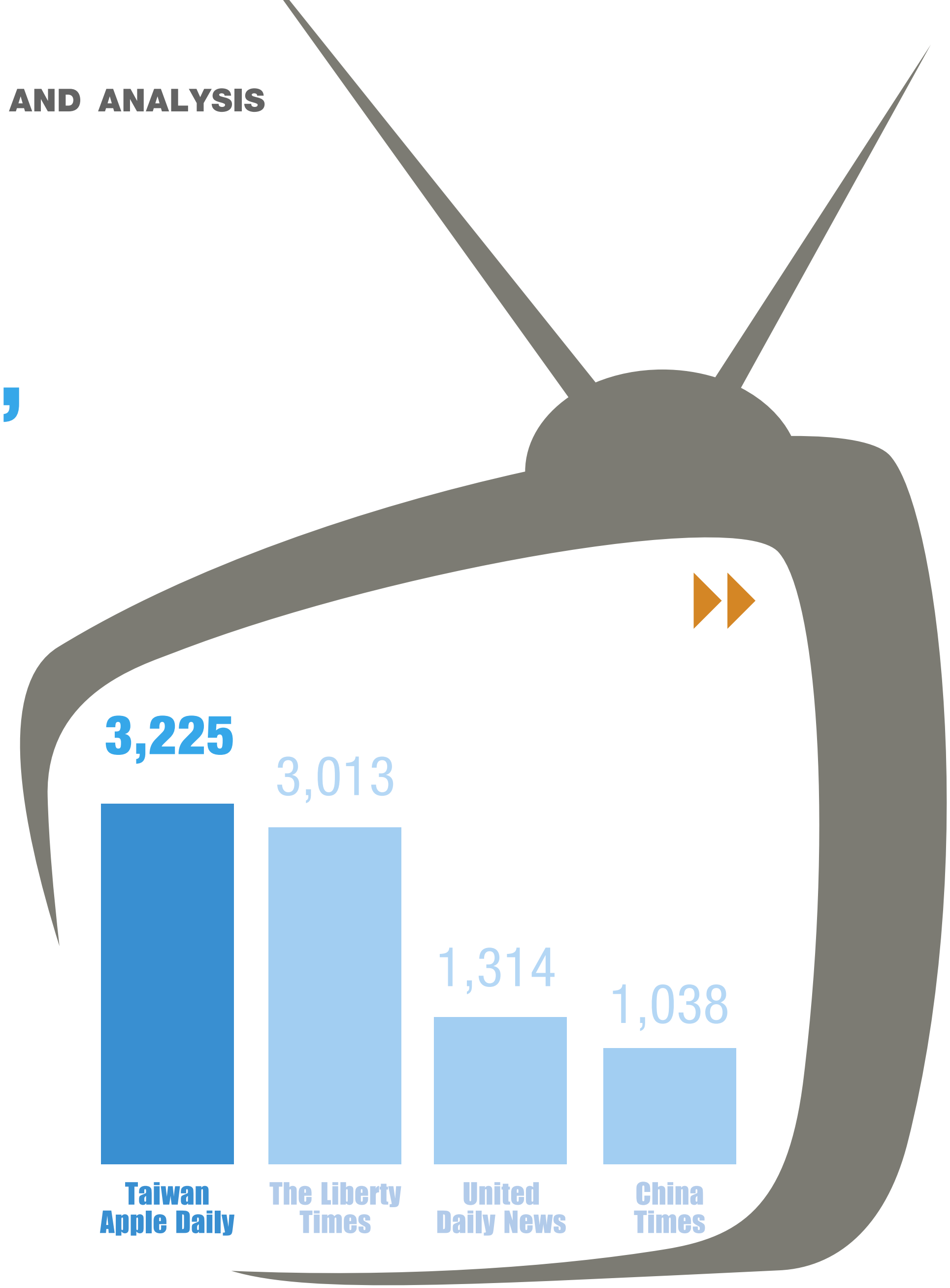
Top Four Chinese Weekly Magazines' Readership in Hong Kong

for the period from Jan — Dec 2010 '000



Top Four Newspapers' Readership in Taiwan

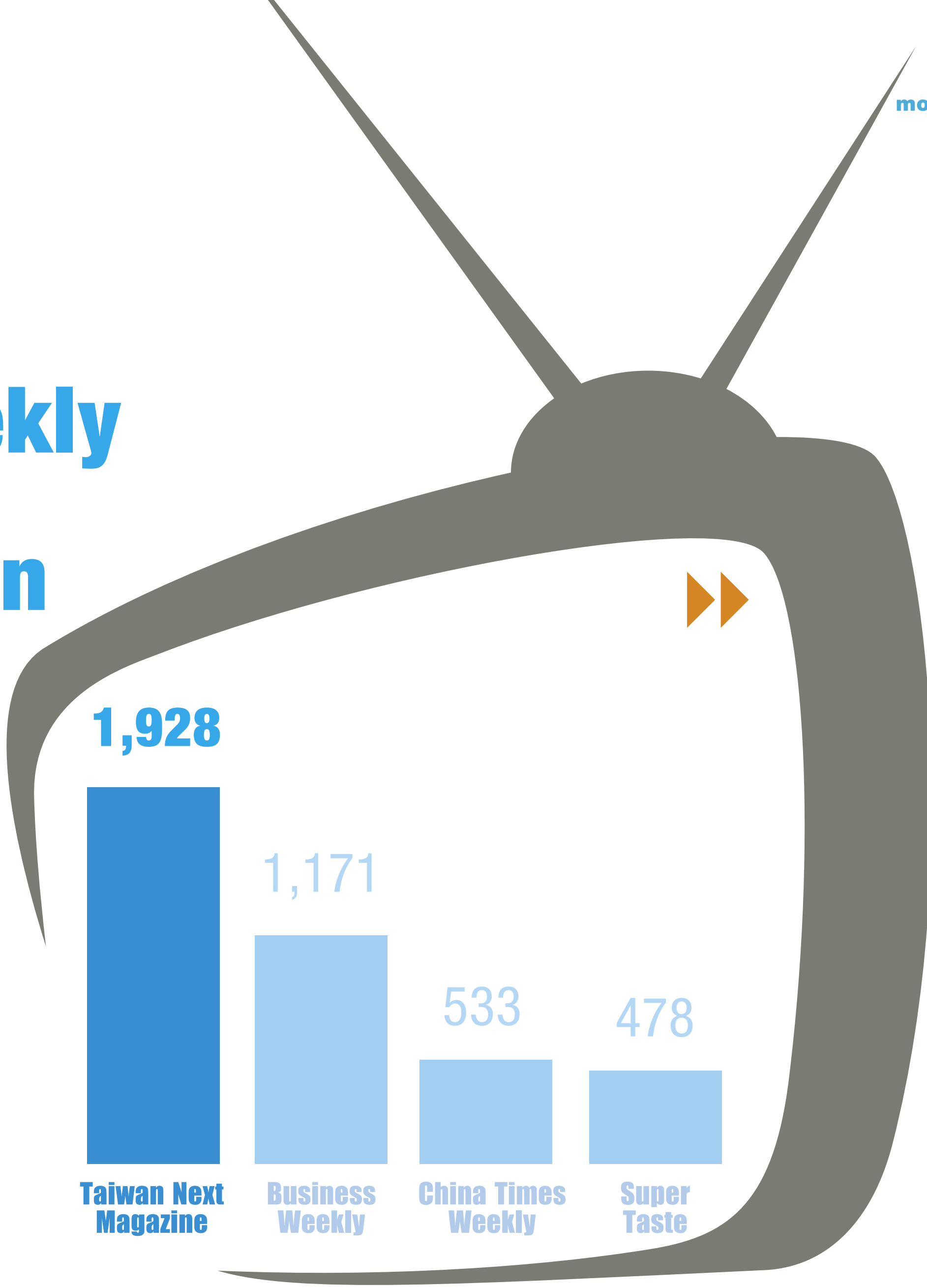
for the period from Jan — Dec 2010 '000



Source:
Media Index (January — December 2010), Nielsen Media Research, Taiwan

Top Four Chinese Weekly Magazines' Readership in Taiwan

for the period from Jan — Dec 2010 '000



OPERATIONAL REVIEW

OVERVIEW OF MAJOR MARKETS

Hong Kong

According to government statistics, Hong Kong's real GDP grew by 6.8 per cent during 2010, which more than reversed the 2.7 per cent contraction in 2009.

This expansion was primarily attributable to Hong Kong's close relationship with China, whose economy continued to boom, despite the economic fragility of other regions around the world. This relationship also shielded the city from the full impact of the global financial meltdown in 2008, and helped its economy to revive in 2009 and 2010. Hong Kong property prices rose, despite government measures to cool them, and seasonally adjusted unemployment figures remained at a low level. The Hang Seng Index ended the year at roughly the same level where it began. The influx of Mainland Chinese visitors helped to underpin the retail sector, and their purchases of high-end real estate had an effect on the housing market.

Taiwan

Taiwan's economy did even better than Hong Kong's in 2010, growing by 10.5 per cent, following a 1.9 per cent decline in 2009.

This excellent performance was undoubtedly the main driving force behind the impressive upswing in advertising spending on the island last year. According to The Nielsen Company, the main media (television, newspapers, magazines, radio and outdoor advertising) saw a 19.0 per cent year-on-year increase in advertising revenue to NT$49.8 billion (HK$13.2 billion). Television was the biggest beneficiary, with a leap of 21.4 percent to NT$24.5 billion (HK$6.5 billion), followed by newspapers (up by 19.5 per cent to NT$10.0 billion (HK$2.7 billion)). Last year's biggest ad spenders were the local real estate, finance/investment/banking and transportation sectors.

BUSINESS PERFORMANCE

Next Media's revenue totalled HK$3,478.6 million during the year ended 31 March 2011. This was 11.3 per cent higher than the figure of HK$3,126.2 million for the preceding 12 months. The increased revenue was mainly due to a substantial surge in the advertising income of its print media.

Newspapers Publication and Printing Division

The Newspapers Publication and Printing Division continued to account for the largest percentage of the Group's revenue. During the 2010/11 financial year, the Division's revenue totalled HK$2,453.3 million, an increase of 12.7 per cent on the figure of HK$2,176.5 million for the previous year.

Apple Daily

Apple Daily remained Hong Kong's most widely read paid-for newspaper in 2010. While its average daily readership of people aged 12[1] and over declined by 1.5 per cent from 1,590,000 in 2009 to 1,566,000 last year, it still outperformed the 5.0 per cent year-on-year decline in the combined average daily readership figures of Hong Kong's four most-popular dailies (from 4,039,000 to 3,838,000). Meanwhile, *Apple Daily's* average daily circulation slipped by 2.9 per cent to 293,892 copies during the second half of 2010, compared with 302,673 copies in the same period of 2009[2].

While facing considerable pressure from the city's free newspapers and online news media, *Apple Daily* continued to benefit from the strong loyalty of its readers — particularly those with higher educational qualifications and in higher-income groups — who appreciate its quality and objectivity. Research by Nielsen Media shows their demographic profile remained more attractive to advertisers in the banking, finance and telecommunications industries than that of its closest rival.

This had a favourable influence on *Apple Daily's* revenue, which amounted to HK$1,095.2 million during the year under review, an increase of 8.3 per cent on the previous financial year's figure of HK$1,011.6 million. Due to a slight decrease in its average daily sales during the year, *Apple Daily's* circulation sales income was HK$388.6 million, 3.7 per cent less than the previous year's figure of HK$403.4 million. Influenced by the Hong Kong economy's strong recovery during the second half of 2010, the newspaper's advertising sales income amounted to HK$706.6 million, 16.2 per cent more than the previous financial year's figure of HK$608.2 million.

Taiwan Apple Daily

The unbiased, outspoken and incisive editorial stance of *Taiwan Apple Daily* created a sensation when the first issue went on sale in 2003. It steadily overtook all its rivals to become the island's bestselling and most widely read daily during the fourth quarter of 2008, a position it has retained ever since.

The newspaper enjoyed an average daily readership of 3,225,000 people aged over 12 every day during 2010. That put it well ahead of its main competitor's 3,013,000 readers[3], and it represented an increase of 7.6 per cent on the 2009 figure of 2,996,000. It also compares favourably with the 5.6 per cent rise in the combined average daily readerships of the island's four most-popular dailies, up from 8,131,000 to 8,590,000 over the same period. However, its average daily sales decreased by 3.5 per cent to 500,000 copies during the calendar year, compared with 518,000 copies in 2009.

Taiwan Apple Daily remained highly attractive to the island's advertisers, especially businesses in the property, department store and cosmetics sectors. The improving economy and the paper's excellent readership profile encouraged them to increase their spending. As a result, *Taiwan Apple Daily's* advertising revenue grew by 26.2 per cent to HK$826.8 million, compared with HK$655.2 million for the 2009/10 financial year.

Meanwhile, the newspaper's total revenue increased by HK$176.8 million during the year under review, and its profitability grew by 22.4 per cent to HK$213.7 million, compared with the previous financial year's HK$174.6 million.

Sharp Daily

Sharp Daily is a free newspaper that the Group distributes to travellers at Taipei's Rapid Transit subway stations every morning from Monday to Friday. It has proved popular with readers ever since it was launched in October 2006. Advertisers — especially smaller local companies — are also its keen supporters, because *Sharp Daily* offers them a chance to promote their products and services to the citizens of Taiwan's biggest city without having to launch extremely expensive island-wide advertising campaigns. *Sharp Daily* has been profitable since the first half of the 2008/09 financial year, and the Group believes it will remain successful in the long term.

Apple Daily Printing Limited (ADPL)

The newspaper printing business once again contributed a stable income to the Group. Its Hong Kong printing operations recorded a revenue of HK$396.6 million during the 2010/11 financial year, compared with HK$377.6 million the previous year, an increase of 5.0 per cent.

Excluding transactions related to printing Next Media's own publications, the revenue of ADPL amounted to HK$133.7 million during the 2010/11 financial year, which was 14.0 per cent higher than the HK$117.3 million it achieved in the preceding 12 months.

Books and Magazines Publication and Printing Division

The Books and Magazines Publication and Printing Division accounted for a significant proportion of the Group's income. Its revenue during the year under review amounted to HK$1,007.2 million, a 11.3 per cent increase on the previous financial year's figure of HK$905.1 million.

Next Magazine Bundle

The Group's flagship weekly maintained its ranking as Hong Kong's second most widely read Chinese weekly magazine during the period ended 31 December 2010. Its average weekly readership among people aged 12 and above increased by a substantial 12.4 per cent — from 688,000 to 773,000 — during the period ended 31 December 2010[1]. It compared favourably with the 7.5 per cent increase in the combined average daily readerships of Hong Kong's four most-popular weekly magazines, up from 2,494,000 to 2,681,000 over the same period. Meanwhile, it sold an average of 121,985 copies a week between July and December 2010, a decrease of 4.0 per cent on the average of 127,130 copies it sold in the same period of the previous year[2].

Next Magazine Bundle's male and female readers have a high-calibre demographic profile. Over 40.0 per cent of them have a post-secondary or university education, and almost 40.0 per cent of them have a monthly household income of more than HK$30,000. At least 73.0 per cent were in the 25-54 age group. This profile makes the magazine a magnet for advertisers, especially companies in the toiletries, watches, health equipment and fashion sectors. Since October 2010, *Next+ONe*, a perfect-bound magazine that focuses on city trends and smart lifestyles in the areas of fashion, luxury, beauty and living, has been bundled with *Next Magazine*, in order to attract high-end and luxury product advertising.

Next Magazine Bundle's advertising revenue for the year under review surged by 16.8 per cent to HK$188.2 million, compared with HK$161.1 million during the preceding financial year.

Sudden Weekly Bundle

Sudden Weekly Bundle incorporates *Sudden Weekly*, *Eat and Travel Weekly* and *ME!*. It is Hong Kong's bestselling and most widely read weekly magazine, and it stands head and shoulders above other publications that primarily target female readers. The *Bundle's* average weekly readership among people aged 12 and above declined slightly by 3.0 per cent last year, from 838,000 in 2009 to 813,000 in 2010[1], whereas its average weekly sales dipped by 1.2 per cent to 168,358 copies during the period from July to December 2010. This compares with 170,329 copies in the corresponding period of the previous year[2].

Readers of *Sudden Weekly Bundle* have a strong demographic profile. More than 75.0 per cent of them are in the 25–54 age group; and more than 47.0 per cent live in households with a monthly income of more than HK$25,000.

Sudden Weekly Bundle incorporates *ME!* — a perfect-bound upmarket magazine printed on heavier art paper and directed at higher-income females and office ladies. This has been spectacularly successful at luring advertising for prestigious brand-name products. During the year under review, *Sudden Weekly Bundle's* advertising sales income amounted to HK$216.1 million, compared with the figure of HK$187.4 million in 2009/10; and its total revenue amounted to HK$305.2 million, as against HK$278.1 million during the previous financial year, representing increases of 15.3 per cent and 9.7 per cent, respectively.

FACE Bundle

FACE, which is bundled with *Auto Express*, *Trading Express* and *Ketchup*, aims to attract affluent young adult readers and advertisers seeking to reach them. In 2010, 84.0 per cent of its readers were aged 15–44, and 37.0 per cent of them lived in a household with a total monthly income of over HK$25,000.

The publication had an average weekly readership of 283,000 people during 2010, an agreeable increase of 10.5 per cent on the figure of 256,000 for the previous year[1]. Meanwhile, it sold an average of 55,624 copies a week during the second half of 2010, compared with 65,050 copies in the corresponding period of 2009[2]. *FACE Bundle's* total revenue was 7.2 per cent higher in the year under review, amounting to HK$93.3 million, compared to HK$87.0 million during the preceding 12 months.

Taiwan Next Magazine Bundle

Taiwan Next Magazine Bundle greatly extended its lead as the island's best-read and bestselling weekly during the 12 months up to 31 December 2010. It had an average weekly readership of 1,928,000 people aged 12 and above during this period, a remarkable increase of 24.3 per cent over the figure of 1,551,000 in the previous year. It outperformed the 23.1 per cent increase in the combined average daily readerships of the island's four most-popular weeklies, up from 3,340,000 to 4,110,000 over the same period. Also, it sold an average of 109,510 copies a week during the second half of 2010, an increase of 1.4 per cent on the figure of 107,947 in the corresponding months of the previous year[4], and its circulation income increased by 7.8 per cent. Since November 2010, a perfect-bound magazine — "*Taiwan ME!*" — focusing on fashion, luxury and beauty products for high-income females and office ladies has been bundled with *Taiwan Next Magazine*, in order to attract further advertising revenue from these product segments.

The island's advertisers continued to regard *Taiwan Next Magazine Bundle* as their magazine of choice. That was especially true in the beauty and perfume, food and beverage and consumer electronics and communications sectors. Buoyed by the island's improving economy *Taiwan Next Magazine Bundle's* advertising sales amounted to HK$162.9 million in the year ended 31 March 2011, an increase of 22.9 per cent on the figure of HK$132.5 million for the previous 12 months.

Paramount Printing Company Limited

Next Media's commercial printing operation had to continue to compete vigorously against a growing number of increasingly sophisticated rivals in Mainland China in order to win business from price-sensitive clients, many of whom were publishers of high-end books in Hong Kong, North America, Europe and Australasia.

Although the market's dynamics placed great stress on its profit margins, the operation's reputation for quality work enabled it to succeed in obtaining a steady flow of orders, and thus contributing to the Group's total revenues. Its revenue during the year ended 31 March 2011 amounted to HK$265.5 million, which was 8.0 per cent more than the figure of HK$245.8 million for the previous financial year. Internal sales accounted for HK$162.1 million or 61.1 per cent of this, whereas sales to external customers made up the remaining HK$103.4 million, an increase of 11.3 per cent on the preceding financial year's figure of HK$92.9 million.

Internet Division

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

To attract more visitors and advertising revenue, it has been continuously refining and improving the Group's websites. During the year, it revamped *Apple Daily*'s i-Phone and i-Pad application and launched an Android version of mobile application, extending the paper's availability to all segments of the market.

In addition, the Division has begun to create virtual entertainment content for the Group's 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, and a sales office has been established in the US for the same purpose.

These initiatives have further increased the popularity of the Division's offerings. As at 31 March 2011, the internet version of *Apple Daily* attracted 5.6 million unique visitors and 201.0 million page views per month, keeping it at the forefront as Hong Kong's most popular interactive news portal. Daily downloads of *Apple Action News* on mobile devices have consistently reached above the 1.0 million mark. *Taiwan Apple Daily*'s online version achieved a monthly average of 5.3 million unique visitors and 117.0 million page views[5].

While the amount of advertising it has attracted for its animation news channel has so far been a little disappointing, the Division generated a total of HK$13.3 million in external revenue, compared with HK$44.6 million the previous financial year. This consisted of subscription fees, advertising revenue and content licensing payments, as well as a new income stream from its animation services for external clients.

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

As a result of these investments, the Internet Division made a segmental loss of HK$49.7 million during the year under review, compared to a loss of HK$73.4 million during the previous year. This loss will be further mitigated in the coming months, when TV, *Apple Daily*, *Taiwan Apple Daily* and Next Media Webcast Limited begin to pay commercial rates for the work the Division does on their behalf.

TV Division

Next Media sees great potential in the overcrowded but fragmented and analogue-dominated Taiwan TV market.

The Group's first step was to launch two IPTV channels dedicated to news and general interests programming on 28 December 2010. By March 2011, more than 100,000 households have already signed up to become members of our *Yi Wang Le* club. A key benefit for such members is that they received set-top boxes which are necessary for decoding *Next TV* signals on loan and free of charge. A video-on-demand service was also launched at the same time, offering the latest Hollywood movies as well as other popular programmes to such members.

Whilst operating IPTV channels does not require government licensing, broadcasting on other platforms (e.g. cable) requires satellite TV Broadcast licenses. To keep all our options open, we have taken a number of steps in the area of satellite TV Broadcast licenses. The Taiwan Government's National Communications Committee (NCC) has granted the Group two satellite TV Broadcast licences, for a movie and a sports channel. These have not yet started broadcasting. Applications for a news channel is currently in progress. We have also filed administrative review requests against the NCC's previous rejection of our satellite TV Broadcast licenses for news, entertainment and general interests channels.

For more than a year, the Group has been creating original and attractive HD content, and in addition to the IPTV platform, which is central to our strategy, we have also signed up distribution partnerships for selected programmes on both cable TV and MOD platforms in Taiwan.

Naturally, such an ambitious venture requires substantial capital expenditure. During the period under review, the Division invested HK$455.0 million, and it expects to make further investments in the areas of staff recruitment, content production, equipment purchases, studio construction, office premises and system software in the coming months. These essential investments have not yet begun to generate a positive return. As a result, the Division recorded an operating segmental loss of HK$459.2 million.

However, the Group expects its TV business to become highly successful once they are fully scaled, and that they will serve as a catalyst which will dramatically transform the landscape of the Taiwan TV industry when they begin to reach a mass audience.

Sources:

1. The 2010 Nielsen Media Index: Hong Kong Report (January — December 2010).
2. Hong Kong Audit Bureau of Circulations Ltd (January — December 2010).
3. Media Index (January — December 2010), Nielsen Media Research, Taiwan
4. The Audit Bureau of Circulations, R. O. C.
5. Nielsen Site Census (March 2011)

FINANCIAL REVIEW

CONSOLIDATED FINANCIAL RESULTS

Revenue

Next Media recorded total revenue of HK$3,478.6 million during the year ended 31 March 2011. This represented an increase of 11.3 per cent or HK$352.4 million on the figure of HK$3,126.2 million achieved in the previous 12 months.

The Group continued to derive most of its revenue from Hong Kong, where its operations accounted for HK$1,966.7 million or 56.5 per cent of its total revenue during the 2010/11 financial year. That was followed by Taiwan, which was responsible for 42.0 per cent. Taiwan's contribution increased by 16.8 per cent from the previous financial year's HK$1,250.3 million to HK$1,460.4 million during the year under review.

Newspaper publishing and printing continued to account for the largest part of the Group's revenue. The Newspapers Publication and Printing Division contributed HK$2,453.3 million or 70.5 per cent of its total revenue, an increase of HK$276.8 million or 12.7 per cent on the figure of HK$2,176.5 million for the previous financial year.

The Books and Magazines Publication and Printing Division generated HK$1,007.2 million or 29.0 per cent of the Group's total revenue, an increase of 11.3 per cent on the figure of HK$905.1 million in 2009/10.

EBITDA and Segment Results

The Group's Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) for the year ended 31 March 2011 amounted to HK$244.6 million. This was HK$291.1 million or 54.3 per cent less than the HK$535.7 million it achieved in the previous financial year.

The Group made a segment profit of HK$92.5 million during the year under review, compared with a profit of HK$422.7 million in the previous financial year.

The Newspapers Publication and Printing Division's segment profit rose by 4.1 per cent to HK$471.6 million, compared to the previous financial year's figure of HK$453.1 million.

The segment profit of the Books and Magazines Publication and Printing Division decreased by 5.9 per cent to HK$129.8 million, compared to the figure of HK$137.9 million for the previous financial year.

The TV Division recorded a segment loss of HK$459.2 million, compared to a loss of HK$94.9 million in 2009/10; whereas the Internet Division recorded a segment loss of HK$49.7 million, compared with a loss of HK$73.4 million during the last financial year.

Operating Expenses

The Group's operating expenses totalled HK$3,423.9 million during the financial year under review. That was HK$691.4 million or 25.3 per cent higher than the previous financial year's figure of HK$2,732.5 million. Of this, HK$1,163.5 million or 34.0 per cent consisted of essential production costs. Paper was one of the most significant of these. While its cost gradually increased in the first half of the year under review, it remained quite static during the second half. Personnel costs accounted for HK$1,465.8 million or 42.8 per cent of the Group's total operating expenses, an increase of HK$280.7 million or 23.7 per cent on the previous financial year's figure of HK$1,185.1 million. This rise was mainly attributable to the growth in the headcounts of the Group's TV Division and animation operation during the course of the year.

Taxation

The taxes levied on the Group during the 2010/11 financial year amounted to HK$74.2 million, which was 1.8 per cent more than the previous financial year's figure of HK$72.9 million.

FINANCIAL POSITION

Current Assets and Current Liabilities

As at 31 March 2011, the Group held HK$1,838.3 million in current assets, an increase of 24.2 per cent on the figure of HK$1,480.1 million a year earlier. The Group's total liabilities on the same date were HK$1,875.5 million, 66.3 per cent more than the figure of HK$1,127.7 million 12 months earlier. The Group's bank balances and cash, including restricted bank balances, totalled HK$884.0 million, as at 31 March 2011. The current ratio on the same date was 228.6 per cent, which was 13.3 per cent lower than the ratio of 241.9 per cent a year earlier.

Trade Receivables

As at 31 March 2011, the Group's trade receivables totalled HK$484.0 million, an increase of 11.6 per cent on the figure of HK$433.7 million 12 months earlier. The average revenue days for the Group's accounts receivable as at 31 March 2011 was 48.1 days, compared to 48.8 days on the same date of the previous financial year.

Trade Payables

As at 31 March 2011, the Group's trade payables amounted to HK$163.6 million. This was 33.7 per cent more than the figure of HK$122.4 million on the same date of the previous financial year. The average revenue days for its accounts payable was 44.9 days, compared to 52.4 days during 2009/10.

Long-term and Short-term Borrowings

As at 31 March 2011, the Group's long-term borrowings, including current portions, totalled HK$879.3 million. This represented an increase of 175.7 per cent on the figure of HK$318.9 million on the same date of the previous financial year. As at 31 March 2011, the current portion of the Group's long-term borrowings stood at HK$127.1 million, an increase of 8.7 per cent measured against the figure of HK$116.9 million 12 months earlier.

Borrowings and Gearing

The Group's primary source of financing for its operations during the 2010/11 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, the Group obtained a term loan facility for an aggregate amount of HK$650.0 million from a syndicate of eight banks. Under the conditions of this facility, the borrower (Apple Daily Limited) and each of its guarantors (including the Company, ADPL, Apple Daily I.P. Limited and Next Media I.P. Limited, all of which are indirectly wholly owned subsidiaries of the Company) shall ensure that Mr. Lai Chee Ying, Jimmy (Mr. Lai, a controlling shareholder who at present holds 74.0 per cent of the Company's total issued share capital) (1) is and will remain the chairman of the Company; and (2) holds and will continue to hold, directly or indirectly, at least 51.0 per cent of the total issued share capital of the Company.

As at 31 March 2011, the Group's available banking facilities totalled HK$1,384.5 million, of which HK$884.8 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 2011, the Group's total bank balances, including restricted bank balances and cash on hand, amounted to HK$884.0 million. Its gearing ratio on the same date was 16.0 per cent, compared to 6.9 per cent a year earlier. The Group's gearing ratios are calculated by dividing long-term borrowings, including current portions, by total asset value.

Share Capital Structure

There was no change in the share capital structure of the Company during the year. As at 31 March 2011, 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 2011 amounted to HK$109.4 million, whereas its cash inflow from operating activities in the preceding financial year was HK$570.1 million, which was due to a decline in the amount of profit before tax by HK$339.1 million.

The outflow of investment-related cash during the 2010/11 financial year totalled HK$573.0 million. This represented an increase of 19.6 per cent on the total amount of HK$479.1 million during the previous financial year. The main reason for this significant increase in cash outflow was the Group's capital investments in its TV and multi-media operations in Taiwan.

The Group's net cash inflow for financing activities during the year reached HK$507.6 million, compared to the preceding year's net cash outflow figure of HK$227.6 million. The 2010/11 figure mainly consisted of a new term loan of HK$650.0 million from a bank syndicate, and the repayment of bank borrowings amounting to HK$126.5 million.

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 magazine and newspaper-publishing 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 2011, the Group's net currency exposure stood at NT$6,893.8 million (the equivalent of HK$1,825.2 million) an increase of 17.4 per cent on the figure of NT$5,874.4 million (HK$1,434.2 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 2010/11 financial year totalled HK$565.6 million, of which HK$502.3 million was used to fund its operations in Taiwan. As at 31 March 2011, it had committed to further capital expenditure of HK$144.7 million on its operations, of which HK$130.8 million was to fund its operations in Taiwan.

Pledge of Assets

As at 31 March 2011, Next Media had pledged certain elements of the Group's Hong Kong and Taiwan property portfolio and printing equipment to Hong Kong and Taiwan banks as securities for bank loans granted to its Hong Kong and Taiwan operations. The aggregate carrying value of these assets was HK$1,112.3 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, 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 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 per cent 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, the Chairman and a substantial shareholder of the Company, has undertaken to provide unlimited personal indemnities to the Acquired Group against all payments, claims, suits, damages and settlement payments and any associated costs and expenses arising, made or incurred after 26 October 2001 arising out of or connected with (1) any third-party claims made against the Acquired Group on and before 26 October 2001; (2) defamation claims, claims for infringement of intellectual property rights and other proceedings and claims which may in the future arise from the content of the newspaper and magazines published by the Acquired Group on and at any time before 26 October 2001; and (3) the contractor dispute with UDL (the Indemnity). In relation to the Indemnity, Mr. Lai also procured a bank guarantee of HK$60.0 million for a term of three years from 26 October 2010 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, it is unlikely the Group would incur any indemnity 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 2011, these contingent liabilities stood at HK$879.3 million.

Intangible Assets

In view of 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 2011, based on the value-in-use approach.

According to the valuation report, the value of the Group's masthead and publishing rights was HK$2,333.3 million as at 31 March 2011 (31 March 2010: HK$2,247.3 million) against the corresponding carrying value of HK$1,300.9 million as at 31 March 2011 (31 March 2010: HK$1,300.9 million). Therefore, a revaluation surplus of HK$1,032.4 million (as at 31 March 2011) (31 March 2010: HK$946.4 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

Given their close relationships with China's increasingly powerful economy, the Group is cautiously optimistic about the prospects for the economies of Hong Kong and Taiwan in the coming year. Even so, it is worth bearing in mind that there still many uncertainties about the global economic environment.

There is also a constant risk that sudden developments further afield might have a negative impact on them. One such example has been the string of sovereign debt crises in Europe, which drove several national governments to the verge of bankruptcy. Another, more recent, one was the tragic earthquake, tsunami and nuclear disaster in Japan, the full economic consequences of which are not yet clear. For instance, there is a possibility that shortages of electronic components and products may occur, due to damage to the Japanese plants where they are manufactured. This might have a knock-on effect on the retail and advertising industries worldwide.

Generally speaking, the results of the Group's core print media operations were in line with and even exceeded its expectations. Most of its publications outperformed their competitors in the market, in terms of both their sales and advertising revenues. *Apple Daily* and *Taiwan Apple Daily* occupied the top spots as the most widely read paid-for newspapers in Hong Kong and Taiwan. *Next Magazine Bundle* and *Sudden Weekly Bundle* were the bestselling and most widely read weeklies in their respective categories in Hong Kong, whereas *FACE Bundle* remained a favourite weekly of the city's young people. The sales and readership of *Taiwan Next Magazine Bundle* continued to be unassailable.

All these titles have very loyal readerships that possess more attractive demographic profiles for advertisers than their rivals. The Group therefore regards them as its most valuable assets, and feels they will continue to make indispensible contributions to its future success.

At the same time, Next Media has always believed in staying ahead by looking and planning ahead. That is why it continuously seeks opportunities to extend the scope of its operations into new areas, especially in Taiwan, which it sees as the ideal location for its future development.

Having scaled the heights of the island's newspaper and weekly magazine markets in the past decade, Next Media is now rolling out its first TV operation there. The new multi-media platform has gained traction with the distribution of the set-top boxes. This exciting new venture will make the Next Media brand more comprehensive and competitive than ever, and create a synergy that will allow it to reach out to new audiences and advertisers in Taiwan.

As it has stated all along, the Group needs to make significant ongoing investments to get the TV operation and new multi-media platform off the ground and onto the airwaves before it can begin to produce tangible results.

In the meantime, Next Media will continue to pay close attention to its costs, but it will never compromise on the quality and professionalism of its publications. This has always been and will always remain its firm commitment to its readers, advertisers, shareholders and employees.

Dividend

The Directors have resolved not to recommend the payment of a final dividend for the year (2009/10: Nil).

Book Close Period

The Register of Members of the Company will be closed from Friday, 15 July 2011 to Monday, 18 July 2011, both days inclusive, during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company, all transfers of shares accompanied by relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:00 p.m. on Thursday, 14 July 2011.

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.

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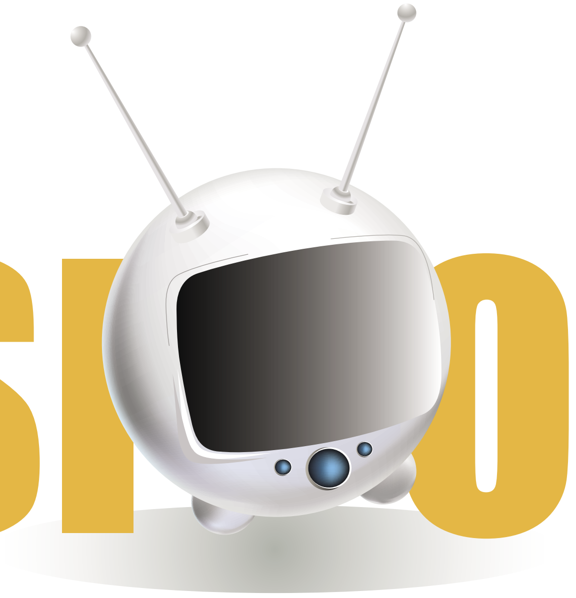
NEW VISIONS




Enter

We believe that open, transparent, and timely communication with investors is part of our ongoing mission, and that it is central to achieving greater success in our business.

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.

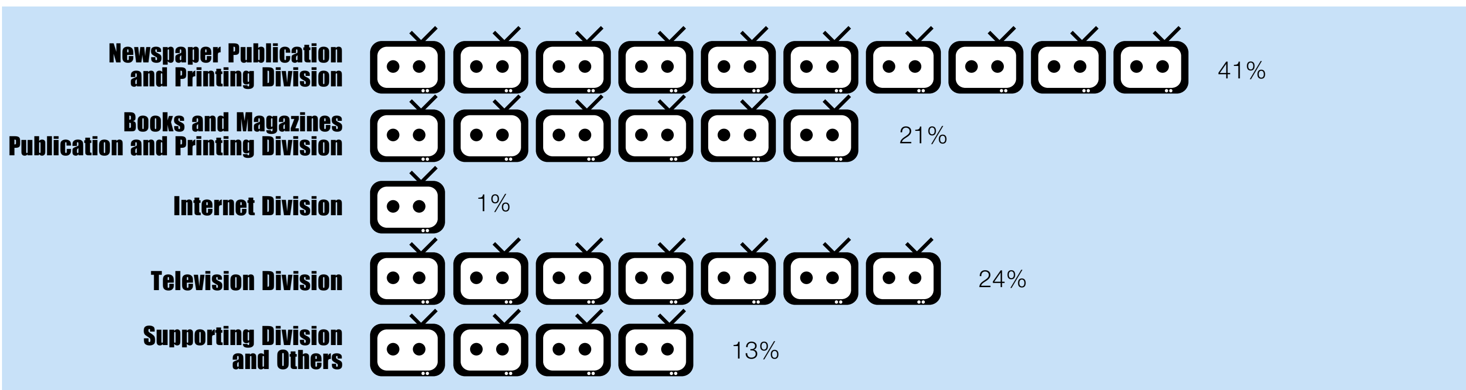
Our Directors and senior management team maintain ongoing dialogues about our performance and our business strategies with various interested parties, including research analysts and institutional investors. They do this by participating in briefings, meetings and company visits.

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 2011



EMPLOYEE WELL-BEING

Equal Opportunities, Fair Rewards

As at 31 March 2011, Next Media employed a total of 5,229 people based in Hong Kong, Taiwan and Canada (2010: 4,287). This was 942 more than on the same date last year. Most of the additional employees were recruited to work on the Group's TV and animation operations 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 the 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 profit-sharing schemes, 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$1,465.8 million, an increase of 23.7 per cent on the previous year's figure of HK$1,185.1 million. Such increase was mainly attributable to the increase of headcounts for the Group's TV and animation operations during the year.

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 year, these included:

- A slogan competition for the LED display panel in the staff canteen;
- A quiz about the 2010 FIFA World Cup;
- Long service awards to staff who completed 10 and 15 years of service;
- A Mid-Autumn Festival joy day;
- Free moon cakes for staff to celebrate the Mid-Autumn Festival; and
- Weekly yoga classes.

Next Media proactively safeguards the health of our staff members too. The commonly used equipment and the 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, in 2009 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-establish 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 promote its charitable activities. The paper also donates 1% 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. 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 year, the Foundation donated more than HK$1.5 million to support 82 social service projects for disadvantaged groups and numerous needy people.

In 1996, we also launched the Apple Bursaries Scheme, which provides direct financial support to needy students. In 2009, it has since extended its coverage to include full-time undergraduate students at Hong Kong's 11 tertiary educational institutions. The scheme provided bursaries totalling HK$6.3 million to 2,359 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 NT$15.0 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 year, *Taiwan Apple Daily* donated NT$2.6 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 financial year, it put this philosophy into practice via the following programmes:

Hong Kong

- "Caring about the underprivileged, and sharing festive joy with them" is another guiding principle of our community service. The Foundation donated HK$590,000 to support the project — "Big Festive Meals" — which delivered meals during traditional Chinese festivals to more than 23,000 disadvantaged elderly people via 87 voluntary organisations.

- The Foundation continued to support the underprivileged by donating HK$1.0 million to the "Warm Action" programme, which distributed blankets and food parcels to 20,000 elderly and disabled people and low-income families via 84 social organisations last winter.

- The Foundation donated HK$99,000 to help to provide 13,000 rice dumplings to needy people during the Tuen Ng Festival; plus a further HK$515,000 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$1,180,000 in donations for the family of an undergraduate of medicine, whose father suffers from brain cancer and had been unable to afford the huge cost of the medical treatment he needed;

  — HK$900,000 in donations for the wife of two young sons of a 41-year-old man who died as a result of a car accident while visiting his uncle in Tai Shan, China; and

  — HK$320,000 in donations for a 2-year-old child who suffers from a rare hereditary spinal disease and faces the threat of death due to collapsed lungs and has to undergo operations.

- 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 year.

- Next Media's employees donated blood to the Hong Kong Red Cross Blood Transfusion Service.

Next Media is committed to participating in community affairs, and we will continue to adhere to our philosophy of supporting disadvantaged members of society in the 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 149,600 metric tonnes of newsprint for our newspapers and another 21,800 metric tonnes of paper for our magazines during the 2010/11 financial year. This was supplied by reputable major manufacturers in Canada, Korea, Japan, Norway 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 2,080 tonnes of organic-based printing ink for our newspapers and 670 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 ISO9001 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 per cent. They are also equipped with comprehensive sewage-processing systems that comply fully with Hong Kong statutory requirements. Dedicated disposal bins have been installed for chemical wastes, and all solid, pulp, paper and chemical wastes and recyclable materials are properly categorised, then collected and handled by a contractor acceptable to the Environmental Protection Department.

The 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.

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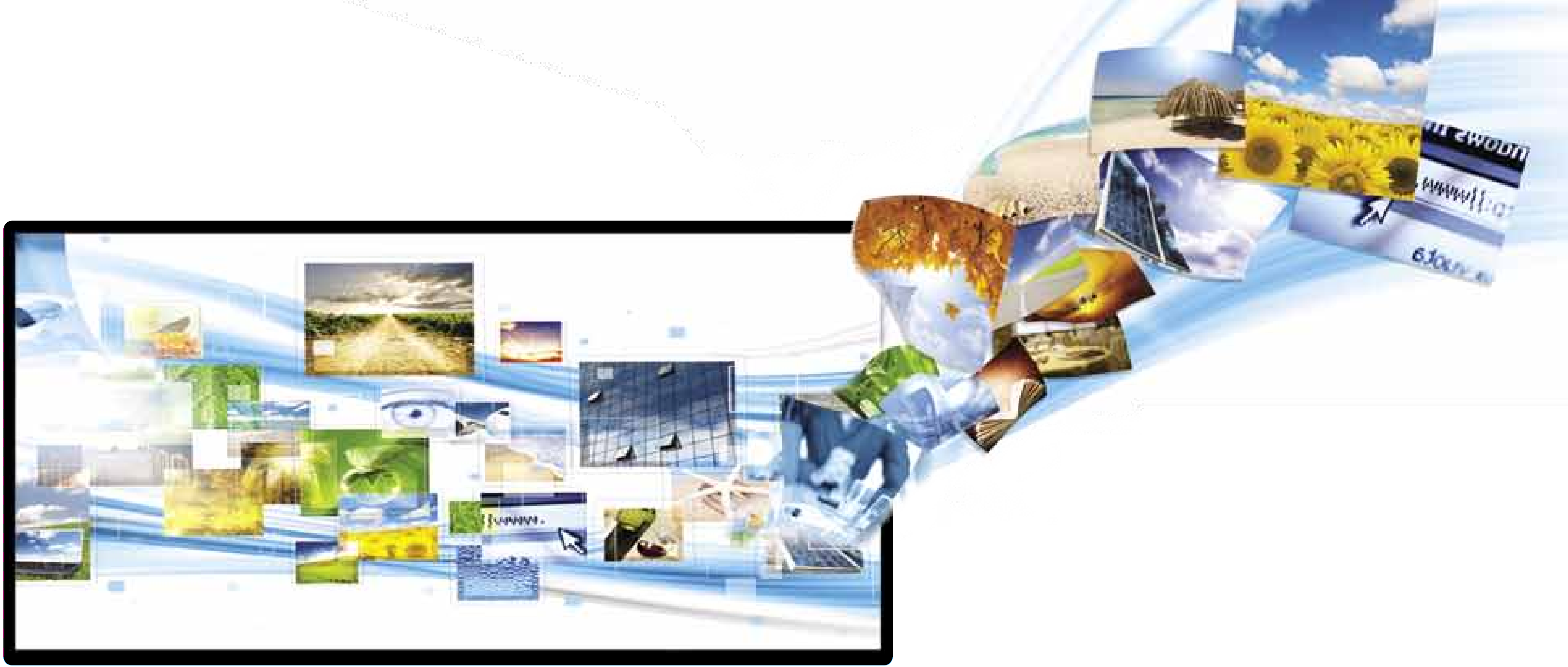
NEW IDEAS



OUR ACHIEVEMENTS

HONG KONG 香港

The Society of Publishers in Asia (SOPA) 2010 Awards for Editorial Excellence
亞洲出版業協會
2010年度卓越新聞獎

Excellence in News Photography
卓越新聞攝影獎

Award for Excellence: *Apple Daily*
大獎：*《蘋果日報》*
主題：人類豬流感系列

Excellence in Information Graphics
卓越資訊圖像獎

Award for Excellence: *Apple Daily*
大獎：*《蘋果日報》*
主題：旺角小巴衝上行人路兩死八傷車禍

The 10th Consumer Rights Reporting Awards
第10屆消費權益新聞報導獎

Category: Features
組別：特寫

Special Merit: *Apple Daily*
優異獎：*《蘋果日報》*
主題：神奇奶粉不神奇

The 15th Annual Human Rights Press Awards
第15屆人權新聞獎

Features
報章特寫

Special Merit: *Apple Daily*
優異獎：*《蘋果日報》*
主題：政改雙雄出獄大踢爆

Special Merit: *Next Magazine*
優異獎：*《壹週刊》*
主題：2010風雲人物劉曉波全球封殺

Spot News
突發新聞

Special Merit: *Apple Daily*
優異獎：*《蘋果日報》*
主題：老師：我有權選特首（突發）

Special Merit: *Apple Daily*
優異獎：*《蘋果日報》*
主題：視障殘疾學童終能親身感受藝術的魔力

Special Merit: *Next Magazine*
優異獎：*《壹週刊》*
主題：青海地震

2010 Galaxy Awards — 21st Annual International Competition, Excellence for Product and Service Marketing
2010年第21屆國際Galaxy Awards 卓越產品及服務銷售大獎

Bronze Winner (Annual Reports — Media Company): *Next Media Limited*
銅獎（年報 — 傳媒公司）：*壹傳媒有限公司*
Publication: Annual Report 09/10
作品：年報09/10

2010 Astrid Award — 21st Annual Competition
2010年第21屆Astrid Award

Silver Bronze Winner (Annual Reports — Corporations — Traditional — Between 101 to 160 Pages): *Next Media Limited*
銀獎（年報 — 公司 — 傳統 — 101至160頁組別）：
壹傳媒有限公司
Publication: Annual Report 09/10
作品：年報09/10

Honors Winner (Annual Reports — Corporations — Non-Traditional): *Next Media Limited*
優異獎（年報 — 公司 — 非傳統）：*壹傳媒有限公司*
Publication: Interim Report 10/11 "I'm movin' it"
作品：中期報告10/11 "動' 起來"

TAIWAN 台灣

The Society of Publishers in Asia (SOPA)
2010 Awards for Editorial Excellence
亞洲出版業協會
2010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：惡水無情 人間有愛

Excellence in News Photography
卓越新聞攝影獎
Honourable Mention: *Taiwan Apple Daily*
優異：*《台灣蘋果日報》*
主題：囚裡放風 陳水扁好開心

Excellence in Information Graphics
卓越資訊圖像獎
Honourable Mention: *Taiwan Apple Daily*
優異：*《台灣蘋果日報》*
主題：鐵皮屋堵生路

The Society of News Design (SND)
The 31st Best of Newspaper Design
國際新聞設計協會
第31屆世界最佳報紙設計大賽

Breaking News Topics — Local/Regional
突發新聞類本地新聞組
Award of Excellence: *Taiwan Apple Daily*
大獎：*《台灣蘋果日報》*
主題：惡水無情 人間有愛

Breaking News Topics — International
突發新聞類國際新聞組
Award of Excellence: *Taiwan Apple Daily*
大獎：*《台灣蘋果日報》*
主題：紅塵吞雪梨 「好像世界末日」

WAN-IFRA
Best in Print Award
國際報業協會
最佳印刷品質

Gold Award: *Taiwan Apple Daily*
金獎：*《台灣蘋果日報》*

2010 to 2012 International Newspaper Color Quality Club

Membership Award: *Taiwan Apple Daily*
會員獎：*《台灣蘋果日報》*

Membership Award: *Sharp Daily*
會員獎：*《爽報》*

The Consumer Protection Commission of the Executive Yuan, Republic of China (Taiwan)
2010 Consumer Protection Rights Reporting Awards
中華民國（台灣）行政院消費者保護委員會
2010消費者權益報導獎

Print Media Reporting
平面媒體平日獎

Honourable Mention: *Taiwan Apple Daily*
優勝：*《台灣蘋果日報》*
主題：踢爆 火鍋店賣假羊肉

Honourable Distinction: *Taiwan Apple Daily*
佳作：*《台灣蘋果日報》*
主題：消脂茶飲標示不實

The 2011 (March) Taiwan Press Photography Competition
2011台灣新聞攝影比賽

General News
一般新聞

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

Sports News
體育新聞

2nd Runner-up: *Taiwan Apple Daily*
第三名：*《台灣蘋果日報》*

Nature and Technology
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》*

Arts and Entertainment News
藝術與娛樂新聞

2nd Runner-up: *Taiwan Apple Daily*
第三名：*《台灣蘋果日報》*

Photo Series
系列照片

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

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 2011, except for Code provision E.1.2. Due to another business engagement, Mr. Lai Chee Ying, Jimmy, the Chairman of the Board did not attend the 2010 AGM held on 19 July 2010. Instead, Mr. Chu Wah Hui, an ED and the CEO, chaired the 2010 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 at 31 March 2011, 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 at 31 March 2011, 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 as the CEO 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. Mr. Chu is also in charge of the Group's TV operation, and leads its experienced and high-calibre management team in ensuring that Next Media operates in accordance with its strategies.

Mr. Cheung Ka Sing, Cassian is responsible for the Group's animation and interactive businesses as well as the multi-media operations.

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 2011, Mr. Lai Chee Ying, Jimmy and Mr. Fok Kwong Hang, Terry retired and were re-elected as Directors at the 2010 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. During the year under review, the Board has resolved to renew the appointment of each of the three INEDs as follows:

Name/Capacity	Term of Appointment
Mr. Fok Kwong Hang, Terry, INED	01.04.2011 to 31.03.2013
Mr. Wong Chi Hong, Frank, INED	30.01.2011 to 29.01.2013
Dr. Lee Ka Yam, Danny, INED	09.03.2011 to 08.03.2013

Although Mr. Fok Kwong Hang, Terry has served in this capacity for more than nine years, he does not have any management role of the Group and has, at all times, exercised independent judgment to bear on issues of strategy, policy, performance and standards of conduct when participating in the Board and/or committee meetings. The Board is of the opinion that he is of such character, integrity, independence and experience commensurate with an office of an INED.

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)	4/4 (100%)	N/A
Chu Wah Hui (CEO)	4/4 (100%)	N/A
Cheung Ka Sing, Cassian (Co-CEO)	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%)	3/3 (100%)
Wong Chi Hong, Frank	4/4 (100%)	3/3 (100%)
Lee Ka Yam, Danny	4/4 (100%)	3/3 (100%)
Dates of Meetings	07.06.2010	08.04.2010
	20.09.2010	31.05.2010
	22.11.2010	15.11.2010
	21.02.2011	

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 on 19 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 three 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 engagement of RSM to carry out the internal audit services for the Group for a three-year period ending 31 March 2013;
- The Group's audited financial statements for the year ended 31 March 2010;
- The connected transactions of the Group;
- Valuation of mastheads and publishing rights of the Group;
- The Group's interim financial statements for the six months ended 30 September 2010;
- Internal control review progress reports, as at 12 May 2010 and 15 November 2010; and
- The valuation reports in respect of the share options granted under the Group's various share option schemes during the year ended 31 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. As at 31 March 2011, 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 and resolved by the unanimous written consent of its members to recommend the fees of the Directors for the year ended 31 March 2011 to the Board for its consideration.

Other Committees

(i) A Board Committee consisting of any two of the EDs was established on 28 August 2007 to approve the issue and allotment of shares pursuant to the 2007 Share Option Scheme from time to time;

(ii) A Board Committee consisting of any two of the EDs, subject to conflict of interests, was established on 8 November 2007 to administer and manage the Share Subscription Plan from time to time; and

(iii) A Sub-committee consisting of the financial heads of all the major business units, Company Secretary, Deputy CFO and Financial Controller has been established since September 2000 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 and the chairman of the compensation committee of Trinity Limited, a company listed on the Stock Exchange.

Securities Transactions

Next Media originally adopted the Model Code in April 2004. With effect from 1 April 2009, the Model Code was revised to extend the "blackout" period for the dealings of securities by 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 2011.

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. Following the relevant special resolutions passed at the 2009 AGM, the Articles of Association were amended to comply with Rule 13.39(4) of the Listing Rules, which requires any vote of shareholders at a general meeting must be conducted by poll. At the 2010 AGM and the EGM held on 11 October 2010, the Chairman of the meetings likewise demanded voting by poll on all the resolutions put to the meetings. 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 general meetings. 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 general meetings. The poll results were announced and posted on both the Stock Exchange and Company websites on the same days.

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 has been the Company's external auditor for the seven consecutive years since 2004. During the year ended 31 March 2011, the total fees paid and payable to the external auditor for non-audit-related services amounted to HK$1,433,000. This sum included HK$448,000 for taxation services and HK$825,000 for a review of the Group's interim results for the six months ended 30 September 2010.

Internal Controls

Since 1 April 2006, the Board has engaged professional firms to conduct assessments and evaluations 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 2011, the Board engaged RSM 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 accessible 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 63**, 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 59**, 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 55**, 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 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 51, 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 59, 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 55**, 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 25 years' experience in the securities industry, and he is currently the non-executive chairman of Kim Eng Securities (Hong Kong) Limited.

Mr. Wong Chi Hong, Frank, **aged 56**, 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 49, 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 HKICPA 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 69, is currently the Chairman of *Apple Daily*. He was a Director of the Company from June 2003 to March 2009. A graduate of Taiwan Provincial Cheng Kung University, Mr. Tung holds a Bachelor of Arts degree. His long and distinguished media career has included spells with the U.S.I.S., Hong Kong, BBC in London, *Reader's Digest* and *Ming Pao*.

Mr. Tu Nien Chung, James, aged 59, 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 50, has been the Publisher of *Taiwan Next Magazine* since March 2005. Mr. Peir had more than 22 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 52**, 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 53, is currently the Deputy CFO, as well as the chief operating officer of ADPL 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 HKICPA.

Mr. Lee Chi Ho, aged 45, 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).

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chiu Wai Kin, aged 50, is currently the Chief Executive Officer of *Sudden Weekly Bundle* — which consists of *Sudden Weekly, Eat & Travel Weekly* and *ME!*. Mr. Chiu started his career in the print media industry in 1988, and he has over 20 years of experience. He has been Editor-in-Chief of *Film Bi-Weekly*, *East Weekly* and *Sudden Weekly*. Mr. Chiu graduated from Jinan University, P.R.C., with a Bachelor's degree in Linguistics and Arts.

Mr. Yan Ming Wai, Daniel, aged 42, 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 45, 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 and a Master of Laws degree 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

Reed Smith Richards Butler
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

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 weekly magazines in Hong Kong has since grown to include ten other titles, 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 attracting smaller local advertisers. In addition, we launched 1-apple.com.tw, a 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. The Group has launched two IPTV channels dedicated to news and variety programming in December 2010. 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 Bundle (Next Magazine and NEXT+ONe)
Sudden Weekly Bundle (Sudden Weekly, Eat and Travel Weekly and ME!)
FACE Bundle (FACE, Ketchup, AutoExpress, JobFinder, Trading Express and 學海無涯)
Taiwan Next Magazine Bundle (Taiwan Next Magazine and Taiwan ME!)
Magazine Printing
Book, Calendar and Catalogue Printing

TELEVISION DIVISION

Next TV

INTERNET DIVISION

nextmedia.com
appleactionews.com
VDOnext.com
nextvod.com.tw

SHARE INFORMATION

As at 31 March 2011

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

Market Capitalisation

at HK$0.98 per Ordinary Share (closing price on 31 March 2011)	HK$2.36 billion

Stock Code

The Stock Exchange of Hong Kong Limited Main Board	00282

Board Lot — 2,000 Ordinary 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	4,000,000 Option Shares
at an exercise price of HK$1.370 each	650,000 Option Shares
at an exercise price of HK$1.100 each	10,000,000 Option Shares
at an exercise price of HK$1.050 each	20,114,000 Option Shares
at an exercise price of HK$1.090 each	400,000 Option Shares
at an exercise price of HK$1.150 each	9,000,000 Option Shares

DIRECTORS' REPORT

The Directors or the Board present their report and financial statements for the year ended 31 March 2011.

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 39 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 14 to 33 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 93.

No interim dividend was paid to the Shareholders during the year (2010: Nil).

The Directors have resolved not to recommend the payment of a final dividend for the year (2010: 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 188.

SHARE CAPITAL

Details of changes in the Company's share capital during the year are set out in note 32 to the Financial Statements.

RESERVES

Details of changes in the Company's reserves during the year are set out in note 34 to the Financial Statements.

DISTRIBUTABLE RESERVES

As at 31 March 2011, the Company's distributable reserves (calculated in accordance with section 79B of the Hong Kong Companies Ordinance) amounted to HK$378,637,000 (2010: HK$357,318,000).

MAJOR CUSTOMERS AND SUPPLIERS

The Group's five largest customers accounted for 38.9% of its revenue, and its five largest suppliers accounted for 31.8% of its total purchases during the year. The Group's largest customer accounted for 30.4% of its revenue, and its largest supplier accounted for 7.9% 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$3,518,000 (2010: HK$4,866,000).

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.

SHARE INCENTIVE SCHEMES (continued)

(a) Company Share Option Schemes (continued)

2000 Share Option Scheme *(continued)*

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.

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 01.04.2010	Lapsed during the year	Balance as at 31.03.2011
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)	0
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)	0
	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)	0
	06.12.2006	HK$3.102	06.12.2007 (30%) 06.12.2008 (60%) 06.12.2009 (100%)	07.12.2007–28.12.2010	14,600,000	(14,600,000)	0
	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)	0
	09.03.2007	HK$2.760	09.03.2008 (30%) 09.03.2009 (60%) 09.03.2010 (100%)	10.03.2008–28.12.2010	400,000	(400,000)	0
Total outstanding					18,874,000	(18,874,000)	0

The 2000 Share Option Scheme was expired on 28 December 2010. There was no outstanding option under such scheme as at 31 March 2011.

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.

SHARE INCENTIVE SCHEMES (continued)

(a) Company Share Option Schemes (continued)

2007 Share Option Scheme *(continued)*

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.

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 01.04.2010	Granted during the year	Lapsed during the year	Balance as at 31.03.2011
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
	04.10.2010	HK$1.100	04.10.2011 (100%)	05.10.2010–03.10.2015	–	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
	01.02.2011	HK$1.150	01.02.2012 (100%)	02.02.2011–31.01.2014	–	9,000,000	–	9,000,000
Ting Ka Yu, Stephen	10.12.2010	HK$1.050	10.12.2011 (30%) 10.12.2012 (60%) 10.12.2013 (100%)	11.12.2010–29.07.2017	–	1,618,000	–	1,618,000
Fok Kwong Hang, Terry	10.12.2010	HK$1.050	10.12.2011 (30%) 10.12.2012 (60%) 10.12.2013 (100%)	11.12.2010–29.07.2017	–	510,000	–	510,000

SHARE INCENTIVE SCHEMES (continued)

(a) Company Share Option Schemes (continued)

2007 Share Option Scheme (continued)

Name or category of participant	Date of grant	Exercise price per share	Vesting date (%)	Exercisable period	Balance as at 01.04.2010	Granted during the year	Lapsed during the year	Balance as at 31.03.2011
Directors								
Wong Chi Hong, Frank	10.12.2010	HK$1.050	10.12.2011 (30%) 10.12.2012 (60%) 10.12.2013 (100%)	11.12.2010–29.07.2017	–	510,000	–	510,000
Lee Ka Yam, Danny	10.12.2010	HK$1.050	10.12.2011 (30%) 10.12.2012 (60%) 10.12.2013 (100%)	11.12.2010–29.07.2017	–	510,000	–	510,000
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)	0
	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
	15.04.2010	HK$1.370	16.04.2011 (30%) 16.04.2012 (60%) 16.04.2013 (100%)	16.04.2010–29.07.2017	–	650,000	–	650,000
	10.12.2010	HK$1.050	11.12.2011 (30%) 11.12.2012 (60%) 11.12.2013 (100%)	11.12.2010–29.07.2017	–	16,966,000	–	16,966,000
	05.01.2011	HK$1.090	05.01.2012 (100%)	06.01.2011–04.01.2016	–	400,000	–	400,000
Total outstanding					34,300,000	40,164,000	(500,000)	73,964,000

SHARE INCENTIVE SCHEMES (continued)

(a) Company Share Option Schemes (continued)

2007 Share Option Scheme *(continued)*

Apart from the abovementioned movements, no options were exercised or cancelled under the 2007 Share Option Scheme during the year ended 31 March 2011.

The Company has used the Binomial Model for assessing the fair values of the options granted during the year ended 31 March 2011. 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 2011 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
15.04.2010	650,000	1.410	2.556%	7.29	45.69%	0%	0.4612	(Note 1)
04.10.2010	10,000,000	1.100	1.180%	5.00	50.97%	0%	0.3668	
10.12.2010	20,114,000	1.050	2.210%	6.64	47.55%	0%	0.3057	(Note 2)
05.01.2011	400,000	1.090	1.650%	5.00	50.34%	0%	0.3630	
01.02.2011	9,000,000	1.150	0.940%	3.00	58.39%	0%	0.3520	

Note 1 30% of the 650,000 options granted to an employee on 15 April 2010 will vest on 16 April 2011; and a further 30% will vest on 16 April 2012, while the remaining 40% will vest on 16 April 2013. The fair value per option stated above is an averaged fair value of such options.

Note 2 30% of the 20,114,000 options granted to the directors and employees on 10 December 2010 will vest on 11 December 2011; and a further 30% will vest on 11 December 2012, while the remaining 40% will vest on 11 December 2013. The fair value per option stated above is an averaged fair value of such options.

An amount of HK$3,883,000 was recognised in the consolidated statement of comprehensive income for the year ended 31 March 2011 in respect of the values of options granted during the year (2010: HK$1,810,000).

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 33 to the Financial Statements.

SHARE INCENTIVE SCHEMES (continued)

(b) Subsidiary Share Option Schemes

(i) Hong Kong Subsidiary Share Option Schemes

During the year, the following Hong Kong subsidiaries of the Company had their own respective share option schemes (collectively referred to as the Hong Kong 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
Aim High Investments Limited (AHIL)	12 June 2009	2009 AHIL Share Option Scheme

The terms of the above Hong Kong 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.

SHARE INCENTIVE SCHEMES (continued)

(b) Subsidiary Share Option Schemes (continued)

(i) Hong Kong Subsidiary Share Option Schemes (continued)

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.

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 Hong Kong 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.

SHARE INCENTIVE SCHEMES (continued)

(b) **Subsidiary Share Option Schemes** (continued)

(i) Hong Kong Subsidiary Share Option Schemes (continued)

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

2008 NMAL Share Option Scheme

Name or category of participant	Date of grant	Exercise price per share	Vesting date (%)	Exercisable period	Balance as at 01.04.2010	Granted during the year	Lapsed during the year	Balance as at 31.03.2011
Employees								
In aggregate	14.10.2009	See above (6)	15.10.2010 (30%) 15.10.2011 (60%) 15.10.2012 (100%)	Not yet determined	687,500	–	(37,000)	650,500
	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
	15.10.2010	See above (6)	16.01.2011 (60%) 16.01.2012 (100%)	Not yet determined	–	70,000	–	70,000
	15.12.2010	See above (6)	16.12.2011 (30%) 16.12.2012 (60%) 16.12.2013 (100%)	Not yet determined	–	200,000	–	200,000
Total outstanding					722,500	270,000	(37,000)	955,500

Apart from the above movements in the 2008 NMAL Share Option Scheme, no options were granted, exercised, lapsed or cancelled under the other Hong Kong Subsidiary Share Option Schemes during the year ended 31 March 2011.

The Company has used the Binomial Model to assess the fair values of options granted under the 2008 NMAL Share Option Scheme during the year ended 31 March 2011. This is an appropriate method for assessing the fair value of an option that can be exercised before the expiry of the option period.

SHARE INCENTIVE SCHEMES (continued)

(b) Subsidiary Share Option Schemes (continued)

(i) Hong Kong Subsidiary Share Option Schemes (continued)

The values of the respective options granted during the year ended 31 March 2011 were calculated as follows:

2008 NMAL Share Option Scheme

Date of grant	No. of options granted	Risk-free rate	Expected life (years)	Expected volatility	Expected dividend yield	Fair value per option (HK$)	Remarks
15.10.2010	70,000	1.040%	7.35	67.24%	0%	2.2714	(Note 1)
15.12.2010	200,000	1.220%	7.18	63.16%	0%	2.0500	(Note 2)

Note 1 60% of the 70,000 options granted to the employees on 15 October 2010 will vest on 16 October 2011 while the remaining 40% will vest on 16 April 2012. The fair value per option stated above is an averaged fair value of such options.

Note 2 30% of the 200,000 options granted to the employees on 15 December 2010 will vest on 16 December 2011; and a further 30% will vest on 16 December 2012, while the remaining 40% will vest on 16 December 2013. The fair value per option stated above is an averaged fair value of such options.

A total amount of HK$130,000 (2010:HK$1,201,000) was recognised in the consolidated statement of comprehensive income for the year ended 31 March 2011 in respect of the value of options granted during the year under the Hong Kong Subsidiary Share Option Schemes.

When calculating the fair values of options granted under 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 INCENTIVE SCHEMES (continued)

(b) Subsidiary Share Option Schemes (continued)

(ii) Taiwan Subsidiary Share Option Schemes

On 16 September 2010, the following Taiwan subsidiaries of the Company, adopted their respective share option schemes (collectively referred to as the Taiwan Subsidiary Share Option Schemes) with terms in compliance with the requirements of Chapter 17 of the Listing Rules.

Name of subsidiary	Adoption date	Share option scheme title
Next TV Broadcasting Limited (Next TV)	16 September 2010	2010 Next TV Share Option Scheme
Next Multi-media Entertainment Services Limited (NMES)	16 September 2010	2010 NMES Share Option Scheme
Next Media Lifestyle Entertainment Services Limited (NMLE)	16 September 2010	2010 NMLE Share Option Scheme

The terms of the Taiwan 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 are any employees of the subsidiary.

3. The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each participant (including both redeemed and outstanding options) 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)

(ii) Taiwan 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 Taiwan 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.

SHARE INCENTIVE SCHEMES (continued)

(b) Subsidiary Share Option Schemes (continued)

(ii) Taiwan Subsidiary Share Option Schemes (continued)

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

2010 Next TV Share Option Scheme

Name or category of participant	Date of grant	Exercise price per share	Vesting date (%)	Exercisable period	Balance as at 01.04.2010	Granted during the year	Lapsed during the year	Balance as at 31.03.2011
Employees								
In aggregate	15.12.2010	See above (6)	16.12.2011 (30%) 16.12.2012 (60%) 16.12.2013 (100%)	Not yet determined	–	294,000	(2,400)	291,600
Total outstanding					–	294,000	(2,400)	291,600

2010 NMES Share Option Scheme

Name or category of participant	Date of grant	Exercise price per share	Vesting date (%)	Exercisable period	Balance as at 01.04.2010	Granted during the year	Lapsed during the year	Balance as at 31.03.2011
Employees								
In aggregate	15.12.2010	See above (6)	16.12.2011 (30%) 16.12.2012 (60%) 16.12.2013 (100%)	Not yet determined	–	6,000	–	6,000
Total outstanding					–	6,000	–	6,000

Apart from the above movements in the 2010 Next TV Share Option Scheme and the 2010 NMES Share Option Scheme, no options were granted, exercised, lapsed or cancelled under the Taiwan Subsidiary Share Option Schemes during the year ended 31 March 2011.

The Company has used the Binomial Model to assess the fair values of options granted under the 2010 Next TV Share Option Scheme and the 2010 NMES Share Option Scheme during the year ended 31 March 2011. This is an appropriate method for assessing the fair value of an option that can be exercised before the expiry of the option period.

SHARE INCENTIVE SCHEMES (continued)

(b) Subsidiary Share Option Schemes (continued)

(ii) Taiwan Subsidiary Share Option Schemes (continued)

The values of the respective options granted during the year ended 31 March 2011 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$)	Remarks
2010 Next TV Share Option Scheme							
15.12.2010	294,000	1.477%	9.75	65.23%	0%	2.0423	Note 1
2010 NMES Share Option Scheme							
15.12.2010	6,000	1.477%	9.75	63.49%	0%	1.6297	Note 2

Note 1 30% of the 294,000 options granted to the employees on 15 December 2010 will vest on 16 December 2011; and a further 30% will vest on 16 December 2012, while the remaining 40% will vest on 16 December 2013. The fair value per option stated above is an averaged fair value of such options at NTD7.7279 equivalent to HK$2.0423.

Note 2 30% of the 200,000 options granted to the employees on 15 December 2010 will vest on 16 December 2011; and a further 30% will vest on 16 December 2012, while the remaining 40% will vest on 16 December 2013. The fair value per option stated above is an averaged fair value of such options at NTD6.1667 equivalent to HK$1.6297.

A total amount of HK$595,000 (2010: Nil) was recognised in the consolidated statement of comprehensive income for the year ended 31 March 2011 in respect of the value of options granted during the year under the Taiwan Subsidiary Share Option Schemes.

When calculating the fair values of options granted under the 2010 Next TV Share Option Scheme and the 2010 NMES 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 01.04.2010	Lapsed during the year	Balance as at 31.03.2011
Directors							
Ting Ka Yu, Stephen	08.11.2007	HK$2.120	09.11.2008 (33⅓%) 09.11.2009 (66⅔%) 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 (33⅓%) 09.11.2009 (66⅔%) 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 (33⅓%) 09.11.2009 (66⅔%) 09.11.2010 (100%)	09.11.2008–07.11.2012	38,934,000	(1,420,000)	37,514,000
	25.02.2008	HK$2.490	26.02.2009 (33⅓%) 26.02.2010 (66⅔%) 26.02.2011 (100%)	26.02.2009–24.02.2013	1,000,000	–	1,000,000
Total outstanding					42,188,000	(1,420,000)	40,768,000

No invitations for subscriptions under the Subscription Plan were issued, subscribed for or cancelled during the year ended 31 March 2011.

DIRECTORS' REPORT

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

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. Ting Ka Yu, Stephen and Mr. Ip Yut Kin 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 61 to 63. Details of the Director's 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 2011, 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	—	—	30,000,000 (Note 1)	30,030,000	1.25
Cheung Ka Sing, Cassian	172,000	—	—	—	18,000,000 (Note 2)	18,172,000	0.75
Ting Ka Yu, Stephen	90,314	—	—	—	1,194,000 (Note 3) 1,618,000 (Note 4)	2,902,314	0.12
Ip Yut Kin	10,200,377	2,630,000	—	—	1,060,000 (Note 3)	13,890,377	0.58
Fok Kwong Hang, Terry	1,500,000	—	—	—	510,000 (Note 4)	2,010,000	0.08
Wong Chi Hong, Frank				—	510,000 (Note 4)	510,000	0.02
Lee Ka Yam, Danny	—	—	—	—	510,000 (Note 4)	510,000	0.02

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

	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
Ting Ka Yu, Stephen	108,344 (Note 5)	—	—	—	—	108,344	1.00
Ip Yut Kin	216,688 (Note 5)	—	—	—	—	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 20,000,000 Shares will be granted to the Director under the 2007 Share Option Scheme in two tranches, each representing 10,000,000 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 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 9,000,000 Shares would be granted to the Director under the 2007 Share Option Scheme, 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 that the Director continues to be employed by the Group at the relevant time.

(3) 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".

(4) 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".

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

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 2011.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at 31 March 2011, 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 2011.

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 38 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 33 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 31 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 3 June 2011, 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, 3 June 2011

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 93 to 187, which comprise the consolidated and Company's statement of financial position as at 31 March 2011, consolidated statements 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the consolidated financial statements are free from material misstatement.

AUDITOR'S RESPONSIBILITY (continued)

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 of the consolidated financial statements that gives a true and fair view 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 2011 and of the Group's loss 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
3 June 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2011

	NOTES	2011 HK$'000	2010 HK$'000
Revenue	7	**3,478,569**	3,126,199
Production costs			
Cost of raw materials consumed		**(1,163,461)**	(994,051)
Film production costs		**(52,497)**	—
Other overheads		**(207,557)**	(133,013)
Staff costs		**(889,793)**	(721,708)
		(2,313,308)	(1,848,772)
Personnel costs excluding direct production staff costs		**(576,043)**	(463,402)
Other income	7	**49,587**	35,967
Depreciation of property, plant and equipment		**(179,094)**	(131,838)
Release of prepaid lease payments to profit or loss		**(1,797)**	(1,797)
Other expenses		**(390,916)**	(311,437)
Finance costs	9	**(9,318)**	(11,220)
Share of results from a jointly controlled company		**(3,053)**	—
Profit before tax		**54,627**	393,700
Income tax expense	10	**(74,171)**	(72,943)
(Loss) profit for the year	11	**(19,544)**	320,757
Other comprehensive income			
Exchange differences arising on translation		**110,759**	64,952
Total comprehensive income for the year		**91,215**	385,709

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2011

	NOTES	2011 HK$'000	2010 HK$'000
(Loss) profit for the year attributable to:			
Owners of the Company		**(19,730)**	317,876
Non-controlling interests		**186**	2,881
		(19,544)	320,757
Total comprehensive income attributable to:			
Owners of the Company		**90,865**	382,855
Non-controlling interests		**350**	2,854
		91,215	385,709
(Loss) earnings per share	16		
— Basic		**HK(1) cent**	HK13 cents
— Diluted		**HK(1) cent**	HK13 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2011

	NOTES	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Intangible assets	17	**1,300,881**	1,300,881
Property, plant and equipment	19	**2,132,185**	1,797,812
Prepaid lease payments	20	**63,352**	65,149
Deposit for acquisition of property, plant and equipment	22	**145,363**	1,545
Interest in a jointly controlled entity	23	**1,172**	—
Investment in an unlisted convertible note	24	**6,216**	—
Derivatives embedded in the investment in an unlisted convertible note	24	**1,584**	—
		3,650,753	3,165,387
CURRENT ASSETS			
Programmes and film rights	25	**68,240**	—
Inventories	26	**171,000**	133,916
Trade and other receivables	27	**711,610**	543,449
Prepaid lease payments	20	**1,797**	1,797
Tax recoverable		**1,716**	999
Restricted bank balances	28	**5,411**	5,411
Bank balances and cash	28	**878,557**	794,527
		1,838,331	1,480,099
CURRENT LIABILITIES			
Trade and other payables	29	**653,594**	466,053
Borrowings	30	**127,107**	116,869
Obligations under finance leases		**4**	30
Tax liabilities		**23,620**	28,910
		804,325	611,862
NET CURRENT ASSETS		**1,034,006**	868,237
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,684,759**	4,033,624

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2011

	NOTES	2011 HK$'000	2010 HK$'000
NON-CURRENT LIABILITIES			
Borrowings	30	**752,176**	202,079
Defined benefit plans obligations	31	**27,242**	22,705
Deferred tax liabilities	35	**291,781**	291,029
		1,071,199	515,813
NET ASSETS		**3,613,560**	3,517,811
CAPITAL AND RESERVES			
Share capital	32	**2,412,497**	2,412,497
Reserves		**1,196,650**	1,101,976
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**3,609,147**	3,514,473
NON-CONTROLLING INTERESTS		**4,413**	3,338
TOTAL EQUITY		**3,613,560**	3,517,811

The consolidated financial statements on pages 93 to 187 were approved and authorised for issue by the Board of Directors on 3 June 2011 and are signed on its behalf by:

Lai Chee Ying, Jimmy
DIRECTOR

Ting Ka Yu, Stephen
DIRECTOR

STATEMENT OF FINANCIAL POSITION

At 31 March 2011

	NOTES	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	19	**130,846**	134,970
Prepaid lease payments	20	**28,397**	29,203
Interests in subsidiaries	21	**2,638,596**	2,638,596
		2,797,839	2,802,769
CURRENT ASSETS			
Other receivables	27	**3,548**	3,342
Prepaid lease payments	20	**806**	806
Amounts due from subsidiaries	21	**980,828**	919,970
Tax recoverable		**856**	991
Restricted bank balances	28	**5,411**	5,411
Bank balances and cash	28	**4,359**	42,719
		995,808	973,239
CURRENT LIABILITIES			
Other payables	29	**21,983**	12,002
Amounts due to subsidiaries	21	**1,029**	948
Financial guarantee contracts	36(c)	**—**	1,773
		23,012	14,723
NET CURRENT ASSETS		**972,796**	958,516
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,770,635**	3,761,285

STATEMENT OF FINANCIAL POSITION

At 31 March 2011

	NOTES	**2011** **HK$'000**	2010 HK$'000
NON-CURRENT LIABILITY			
Deferred tax liabilities	35	**14,738**	13,984
NET ASSETS		**3,755,897**	3,747,301
CAPITAL AND RESERVES			
Share capital	32	**2,412,497**	2,412,497
Reserves	34	**1,343,400**	1,334,804
TOTAL EQUITY		**3,755,897**	3,747,301

Lai Chee Ying, Jimmy
DIRECTOR

Ting Ka Yu, Stephen
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2011

	Attributable to owners of the Company						Attributable to non-controlling interests			
	Share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Share based payment reserve HK$'000	Accumulated (losses) profits HK$'000	Sub total HK$'000	Share based payment reserve of subsidiaries HK$'000	Share of net assets of subsidiaries HK$'000	Sub total HK$'000	Total HK$'000
At 1 April 2009	2,412,497	918,712	(79,955)	53,096	(186,975)	3,117,375	–	43	43	3,117,418
Exchange differences arising on translation	–	–	64,979	–	–	64,979	–	(27)	(27)	64,952
Profit for the year	–	–	–	–	317,876	317,876	–	2,881	2,881	320,757
Total comprehensive income for the year	–	–	64,979	–	317,876	382,855	–	2,854	2,854	385,709
Recognition of equity-settled share based payments	–	–	–	13,042	–	13,042	1,201	–	1,201	14,243
Lapse of share options	–	–	–	(7,364)	7,364	–	–	–	–	–
Exercise of share options	–	–	–	–	–	–	(1,201)	1,201	–	–
Non-controlling interests' share of loss previously not recognised	–	–	–	–	1,201	1,201	–	(1,201)	(1,201)	–
Acquisition of additional interest in subsidiaries	–	–	–	–	–	–	–	(235)	(235)	(235)
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	676	676	676
At 31 March 2010	2,412,497	918,712	(14,976)	58,774	139,466	3,514,473	–	3,338	3,338	3,517,811
Exchange differences arising on translation	–	–	110,595	–	–	110,595	–	164	164	110,759
Loss for the year	–	–	–	–	(19,730)	(19,730)	–	186	186	(19,544)
Total comprehensive income for the year	–	–	110,595	–	(19,730)	90,865	–	350	350	91,215
Recognition of equity-settled share based payments	–	–	–	10,415	–	10,415	725	–	725	11,140
Lapse of share options	–	–	–	(23,138)	23,138	–	–	–	–	–
Acquisition of additional interest in a subsidiary	–	–	–	–	(6,606)	(6,606)	–	–	–	(6,606)
At 31 March 2011	2,412,497	918,712	95,619	46,051	136,268	3,609,147	725	3,688	4,413	3,613,560

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2011

	2011 HK$'000	2010 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**54,627**	393,700
Adjustments for:		
Finance costs	**9,318**	11,220
Allowance for bad and doubtful debts	**6,892**	15,638
Depreciation of property, plant and equipment	**179,094**	131,838
Release of prepaid lease payments to profit or loss	**1,797**	1,797
Loss on disposal of property, plant and equipment	**1,493**	6,430
Decrease in fair value of derivative financial instruments	**—**	27
Share-based payment expense	**11,140**	14,243
Share of results of a jointly controlled entity	**3,053**	—
Interest income	**(1,529)**	(2,383)
Operating cash flows before movements in working capital	**265,885**	572,510
Increase in programmes and film rights	**(68,240)**	—
(Increase) decrease in inventories	**(31,092)**	54,956
Increase in trade and other receivables	**(151,967)**	(93,852)
Increase in trade and other payables	**170,265**	80,935
Increase in defined benefits plans	**4,537**	3,265
Net cash generated from operations	**189,388**	617,814
Income tax paid	**(79,983)**	(47,705)
NET CASH FROM OPERATING ACTIVITIES	**109,405**	570,109

	2011 HK$'000	2010 HK$'000
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(420,259)**	(480,125)
Deposit for acquisition of property, plant and equipment	**(145,363)**	(1,545)
Investment in an unlisted convertible note	**(7,800)**	—
Acquisition of interest in jointly controlled entity	**(4,225)**	—
Proceeds from disposal of property, plant and equipment	**3,070**	200
Interest received	**1,529**	2,383
NET CASH USED IN INVESTING ACTIVITIES	**(573,048)**	(479,087)
FINANCING ACTIVITIES		
New loans raised	**650,000**	—
Repayment of bank loans	**(126,475)**	(216,640)
Interest paid	**(9,318)**	(11,220)
Acquisition of additional interest in subsidiaries	**(6,606)**	(235)
Repayment of obligations under finance leases	**(26)**	(212)
Capital contribution from non-controlling interests	**—**	676
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**507,575**	(227,631)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**43,932**	(136,609)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**794,527**	895,372
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**40,098**	35,764
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**878,557**	794,527

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

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 principal subsidiaries are set out in note 39.

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

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

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 32 (Amendments)	Classification of Rights Issues
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners
HK — Int 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as disclosed below, the application of the new and revised Standards and Interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

The Group applies prospectively from 1 April 2010 the requirements in HKAS 27 (Revised 2008) *Consolidation and Separate Financial Statements* in relation to the allocation of profit or loss and other comprehensive items to non-controlling interests and the accounting for changes in ownership of a subsidiary.

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

Regarding the accounting for changes in ownership interests in a subsidiary after control is obtained, as the Group's existing accounting policies regarding increases or decreases in ownership interests in subsidiaries of the Group are in the same manner as the application of HKAS 27 (Revised 2008), the application of HKAS 27 (Revised 2008) in this regard and the consequential amendments to other HKFRSs had no impact on the consolidated financial statements of the Group for the current or prior accounting periods.

However, as a part of the consequential amendments of HKAS 27, HKAS 7 has been amended such that the cash flows arising from changes in ownership interest in a subsidiary that do not result in a loss of control are classified as financing activities in the consolidated statement of cash flows. This change has been applied retrospectively. Accordingly, the cash consideration paid in the current year of HK$6,606,000 and in the prior year of HK$235,000 for acquisition of additional interest in a subsidiary has been reclassified from cash flows used in investing activities to cash flows used in financing activities.

The Group has not early applied the following new and revised Standards and Interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[2]
HKFRS 9	Financial Instruments[3]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[4]
HKAS 24 (as revised in 2009)	Related Party Disclosures[5]
HK (IFRIC) — Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[5]
HK (IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments[6]

[1] Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
[2] Effective for annual periods beginning on or after 1 July 2011.
[3] Effective for annual periods beginning on or after 1 January 2013.
[4] Effective for annual periods beginning on or after 1 January 2012.
[5] Effective for annual periods beginning on or after 1 January 2011.
[6] Effective for annual periods beginning on or after 1 July 2010.

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

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

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for financial year ending 31 March 2014 and that the application of HKFRS 9 will have no material impact on the amount of the Group's financial assets and financial liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES

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 of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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 and 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 in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 April 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries on or after 1 April 2010

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Changes in the Group's ownership interests in existing subsidiaries prior to 1 April 2010

Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in subsidiaries, regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss.

Interests in subsidiaries

Interests in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss. Results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable during the year.

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly controlled entities (continued)

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of a jointly controlled entity recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group' consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

(i) Sales of magazines and newspapers are recognised on the date of delivery, net of allowances for unsold copies which may be returned.

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

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

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

(v) Television and 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 on initial recognition.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Masthead and publishing rights

On initial recognition, intangible assets (masthead and publishing rights of the Group's newspapers and magazines) acquired separately and from business combinations are recognised at cost and fair value respectively. Subsequent to 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 profit or loss 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, if any.

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.

Depreciation is recognised so as to write off the cost of property, plant and equipment other than freehold land less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimated accounted for on a prospective basis.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Programmes and film rights

Programmes and film rights, majority of which have expected economic lives of less than one year, are stated at cost less amounts expended and any provision considered necessary by the management. Their costs are recognised as expense in profit or loss over the shorter of their economic lives and the underlying license period, with reference to projected revenue.

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 expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

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).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 in profit or loss 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

***(iii) Retirement benefits obligations** (continued)*

The Group's contributions to the defined contribution retirement schemes and the mandatory provident fund scheme are charged as an expense when employees have rendered service entitling them to the contributions and, in respect of the non-mandatory provident fund schemes, such contributions are reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the Group's contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of the reporting period. Actuarial gains and losses which exceed 10 percent 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

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

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.

Deferred tax is recognised on temporary 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. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised to the extent that it is probable that taxable profits will be available against which those 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 associated with investments in subsidiaries and interest in jointly controlled entities, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period in which the liability is settled or asset is realised, 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 a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets 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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 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 (see accounting policy on impairment loss on financial assets below).

Investment in unlisted convertible note

Investment in unlisted convertible notes that comprises a debt component and embedded derivatives that are not closely related to the debt host contract are accounted for separately. At the date of issue, the debt component and the embedded derivatives are recognized at fair value. At subsequent reporting periods, the debt component of the convertible note is carried at amortised cost using the effective interest method while the embedded derivatives are measured at fair value with changes in fair value recognised in profit and loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets *(continued)*

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Impairment of loans and receivables

Financial assets classified as loans and receivables 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

- breach of contract, such as default or delinquency in interest or principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

- the disappearance of an active market for that financial asset because of financial difficulties.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets *(continued)*

Impairment of loans and receivables (continued)

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 instruments

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.

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 to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments *(continued)*

Equity instruments

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

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 and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

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 in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 any such indication exists, the recoverable amount of an asset is estimated in order to determine the extent of the impairment loss, if any. 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 application of the Group's accounting policies, which are described in note 3, the directors of the company are required to make 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 2011, the Group had estimated unused tax losses of approximately HK$1,275,789,000 (2010: HK$976,970,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$12,147,000 (2010: HK$9,205,000) of such losses. No deferred tax assets has been recognised on the tax losses of approximately HK$1,263,642,000 (2010: HK$967,765,000) due to the unpredictability of future profit streams. The reliability 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. Details are set out in note 35.

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 advisers on the possible outcome and liability of the Group. As at 31 March 2011, an amount of approximately HK$88,293,000 (2010: HK$51,200,000) has been provided for outstanding litigations. Details are set out in note 36.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

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$6,892,000 is recognised in profit or loss (2010: HK$15,638,000). Details are set out in note 27.

Impairment loss on property, plant and equipment

The Group's carrying value of property, plant and equipment as at 31 March 2011 was HK$2,132,185,000 (2010: HK$1,797,812,000). The Group's property, plant and equipment comprise a significant portion of the Group's total assets. Property, plant and equipment are reviewed for impairment at least annually or whenever events or changes in circumstances have indicated that their carrying amounts may not be recoverable. If any such indication exists, the recoverable amount is estimated.

Impairment loss on intangible assets

Determining whether intangible asset is impaired requires an estimation of the value in use of the cash-generating units to which intangible asset has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2010 and 2011, the carrying amount of intangible asset is HK$1,300,881,000. No impairment loss has been recognised for both years. Details of the recoverable amount calculation are disclosed in note 18.

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 30, 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

	2011 HK$'000	2010 HK$'000
THE GROUP		
Financial assets		
Loans and receivables (including cash and cash equivalents)	**1,411,773**	1,277,794
Derivatives embedded in the investment in an unlisted convertible note	**1,584**	—
Financial liabilities		
Liabilities at amortised cost	**1,078,873**	474,786

	2011 HK$'000	2010 HK$'000
THE COMPANY		
Financial assets		
Loans and receivables (including cash and cash equivalents)	**991,205**	968,742
Financial liabilities		
Liabilities at amortised cost	**1,029**	948
Financial guarantee contracts	**—**	1,773

6. FINANCIAL INSTRUMENTS (continued)

6b. Financial risk management objectives and policies

The Group's and the Company's major financial instruments include trade and other receivables, restricted bank balances, bank balances and cash, trade and other payables, amounts due from/to subsidiaries and borrowings. 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.

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**	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
United States Dollar ("USD")	**31,563**	41,135	**109,196**	8,300
Australian Dollar ("AUD")	**—**	—	**2,015**	1,575
Renminbi ("RMB")	**—**	—	**9,099**	—
Euro ("EUR")	**3,323**	—	**1,211**	162
Pound Sterling ("GBP")	**—**	5	**506**	293
New Taiwan Dollar ("NTD")				
— inter-company balances	**61,500**	7,031	**453,164**	350,114

6. FINANCIAL INSTRUMENTS (continued)

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

Market risk *(continued)*

Sensitivity analysis

The Group is mainly exposed to the AUD, RMB, EUR, GBP and NTD as USD is pegged to HK$. The following table details the Group's sensitivity to a 5% (2010: 5%) increase and decrease in Hong Kong dollars against the relevant foreign currencies. 5% (2010: 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 end of the reporting period for a 5% (2010: 5%) change in foreign currency rates. A negative number below indicates an increase in loss or decrease in profit where Hong Kong dollars strengthen (2010: 5%) against the relevant currency. For a 5% (2010: 5%) weakening of Hong Kong dollars against the relevant currency, there would be an equal and opposite impact on the profit or loss, and the balances below would be positive.

	GBP Impact		RMB Impact		EUR Impact		AUD Impact		NTD Impact	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Increase in loss or decrease in profit	**(25)**	(14)	**(455)**	–	**106**	(8)	**(101)**	(79)	**(19,583)**	(17,154)

The Group's sensitivity to foreign currency has increased during the current year mainly due to an increase in NTD denominated inter-company receivables as at 31 March 2011.

Cash flow interest rate risk

The Group's cash flow interest rate risk relates primarily to variable-rate bank borrowings (see note 30 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.

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 51328. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

6. FINANCIAL INSTRUMENTS (continued)

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

***Market risk** (continued)*

Fair value interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank deposits (see note 28 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 points (2010: 50 basis points) 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 (2010: 50 basis points) and all other variables were held constant, the Group's loss would increase/decrease by approximately HK$4,396,000 for the year ended 31 March 2011 (2010: profit decrease/increase by approximately HK$1,595,000).

Credit risk

The Company

As at 31 March 2011, 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 36(c).

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

The Group

As at 31 March 2011, 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 concentration of credit risk as 30% (2010: 28%) of the total trade receivables was due from the Group's largest customer from the newspaper publication and books and magazines publication.

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 2011, the Group has total available unutilised overdraft and short-term bank loan facilities of approximately HK$499,748,000 (2010: HK$147,139,000).

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

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$'000	Carrying amount at 31 March 2011 HK$'000
2011							
Non-derivative financial liabilities							
Trade payables	–	98,066	59,759	5,795	–	163,620	163,620
Other payables	–	35,966	–	–	–	35,966	35,966
Borrowings	2.21	12,212	24,423	109,904	780,267	926,806	879,283
Obligations under finance leases	3.32	–	–	4	–	4	4
		146,244	84,182	115,703	780,267	1,126,396	1,078,873

THE COMPANY	Weighted average effective interest rate %	Less than 1 month HK$'000	1–3 months HK$'000	3 months to 1 year HK$'000	1–5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March 2011 HK$'000
2011							
Non-derivative financial liabilities							
Amounts due to subsidiaries	–	1,029	–	–	–	1,029	1,029
Financial guarantee contracts	–	43,964	87,929	395,678	856,950	1,384,521	–
		44,993	87,929	395,678	856,950	1,385,550	1,029

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$'000	Carrying amount at 31 March 2010 HK$'000
2010							
Non-derivative financial liabilities							
Trade payables	–	73,647	39,946	8,776	72	122,441	122,441
Other payables	–	33,367	–	–	–	33,367	33,367
Borrowings	2.14	10,308	20,616	92,771	208,227	331,922	318,948
Obligations under finance leases	3.32	3	8	20	–	31	30
		117,325	60,570	101,567	208,299	487,761	474,786

THE COMPANY	Weighted average effective interest rate %	Less than 1 month HK$'000	1–3 months HK$'000	3 months to 1 year HK$'000	1–5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March 2010 HK$'000
2010							
Non-derivative financial liabilities							
Amounts due to subsidiaries	–	948	–	–	–	948	948
Financial guarantee contracts	–	18,718	37,435	168,460	366,474	591,087	1,773
		19,666	37,435	168,460	366,474	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 amounts included above for financial guarantee contracts are the maximum amounts the Company 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 Company considers that it is unlikely that any 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.

6c. Fair value

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

- the fair value of derivative instruments is determined based on the option pricing models for optional derivatives; 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.

6. FINANCIAL INSTRUMENTS (continued)

6c. Fair value (continued)

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2011			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL				
Derivatives embedded in the investment in an unlisted convertible note	–	–	1,584	1,584

There were no transfers between Level 1 and 2 in the current year.

There were no transfer into or out of Level 3 and there was no gain or loss for the year recognised in profit or loss or other comprehensive income.

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 television, websites, the internet subscription and the provision of internet content. Revenue recognised during the year is as follows:

	2011	2010
	HK$'000	HK$'000
Revenue		
Sales of newspapers	**782,952**	793,382
Sales of books and magazines	**259,890**	263,576
Newspapers advertising income	**1,533,407**	1,263,441
Books and magazines advertising income	**643,921**	548,599
Printing and reprographic services income	**240,305**	212,602
Television advertising income	**4,834**	—
Internet advertising income, internet subscription and content provision ("Internet businesses")	**13,260**	44,599
	3,478,569	3,126,199
Other income		
Sales of waste materials	**23,658**	16,583
Interest income on bank deposits	**1,529**	2,383
Rental income	**1,725**	1,764
Net exchange gain	**13,877**	7,659
Others	**8,798**	7,578
	49,587	35,967

8. SEGMENT INFORMATION

Information reported to the Company's chief operating officer (the chief operating decision maker) for the purposes of resource allocation and assessment of performance focuses on types of goods delivered and services rendered. This is also the basis upon which the Group is organised and specifically focuses on the Group's operating divisions.

Specifically, the Group's operating segments under HKFRS 8 are 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 operating 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 2011

	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	2,453,300	1,007,175	4,834	13,260	—	3,478,569
Inter-segment sales	6,640	19,617	22	94,346	(120,625)	—
	2,459,940	1,026,792	4,856	107,606	(120,625)	3,478,569
Segment results	471,589	129,819	(459,215)	(49,650)	—	92,543
Unallocated expenses						(40,101)
Unallocated income						11,503
Finance costs						(9,318)
Profit before tax						54,627
Income tax expense						(74,171)
Loss for the year						(19,544)

8. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

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

Segment profit (loss) represents the profit (loss) earned by each segment without allocation of income resulted from interest 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 2011

	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	2,514,988	829,747	1,184,447	61,698	—	4,590,880
Unallocated assets						898,204
Total assets						5,489,084
Segment liabilities	(276,666)	(232,619)	(126,544)	(20,406)	—	(656,235)
Unallocated liabilities						(1,219,289)
Total liabilities						(1,875,524)

8. SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

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)

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

- all assets are allocated to operating segments other than interest in a jointly controlled entity, investment in an unlisted convertible note, embedded derivatives, 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.

8. SEGMENT INFORMATION (continued)

Other segment information

For the year ended 31 March 2011

	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	**(13,993)**	**(54,386)**	**(454,957)**	**(42,274)**	**(12)**	**(565,622)**
Depreciation of property, plant and equipment	**(97,197)**	**(22,891)**	**(37,914)**	**(21,092)**	**—**	**(179,094)**
Release of prepaid lease payments	**(991)**	**—**	**—**	**—**	**(806)**	**(1,797)**
Reversal of (allowance for) bad and doubtful debts	**(6,519)**	**(2,339)**	**—**	**1,966**	**—**	**(6,892)**
Share-based payment expense	**—**	**—**	**(595)**	**(130)**	**(10,415)**	**(11,140)**
Loss on disposal of property, plant and equipment	**(39)**	**(522)**	**(91)**	**(841)**	**—**	**(1,493)**

The major operating expenses included in the measure of segment loss of the Television segment are staff costs of HK$214,968,000, film production costs and other overheads of HK$145,207,000 and promotional expenses of HK$17,941,000.

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	(24,515)	(7,273)	(434,724)	(15,158)	—	(481,670)
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)

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 (Note 1)		Non-current assets (Note 2)	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong (country of domicile)	**1,966,704**	1,829,929	**1,946,818**	1,972,336
Taiwan	**1,460,389**	1,250,303	**1,693,815**	1,191,872
North America	**25,232**	24,435	**1,148**	1,179
Europe	**14,194**	9,246	**—**	—
Australasia	**11,048**	10,886	**—**	—
Others	**1,002**	1,400	**—**	—
	3,478,569	3,126,199	**3,641,781**	3,165,387

Note 1: The Group's revenue by geographical market is based on location of customers, irrespectively of the origins of the goods and services.

Note 2: Non-current assets excluded interest in a jointly controlled entity and financial instruments.

Information about major customers

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

	2011	2010
	HK$'000	HK$'000
Customer A (Note)	**1,042,842**	1,056,958

Note: Revenue from this customer comprised revenue earned in newspapers publication and printing and books and magazines publication and printing amounting to HK$782,952,000 (2010: HK$793,382,000) and HK$259,890,000 (2010: HK$263,576,000), respectively.

9. FINANCE COSTS

	2011 HK$'000	2010 HK$'000
Interest expenses on bank borrowings wholly repayable within five years	**9,317**	11,211
Interest expense on finance leases wholly repayable within five years	**1**	9
	9,318	11,220

10. INCOME TAX EXPENSE

	2011 HK$'000	2010 HK$'000
Current tax:		
Hong Kong	**67,074**	70,771
Taiwan	**6,373**	5,830
Overprovision in prior years	**(28)**	(77)
	73,419	76,524
Deferred tax (note 35):		
Current year	**752**	(3,581)
	74,171	72,943

Hong Kong Profits Tax is calculated at 16.5% for both years.

Taiwan Profits Tax is calculated at 17% (2010: 20%) of the estimated assessable profits. The statutory corporate income tax rate was reduced from 25% to 20% from 1 January 2010. On 28 May 2010, Taiwan Legislative Council has gone through the entire three-reading procedure to enact a change in the statutory corporate income tax rate from the previously reduced 20% further to 17% effective in current financial year.

10. INCOME TAX EXPENSE (continued)

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

	2011 HK$'000	2010 HK$'000
Profit before tax	**54,627**	393,700
Tax at Hong Kong Profits Tax rate of 16.5%	**9,013**	64,961
Tax effect of expenses not deductible for tax purpose	**19,967**	11,896
Tax effect of income not taxable for tax purpose	**(6,096)**	(2,877)
Overprovision in prior years	**(28)**	(77)
Tax effect of tax losses not recognised	**81,753**	32,562
Utilisation of tax losses previously not recognised	**(32,933)**	(36,251)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**2,495**	2,729
Tax charge for the year	**74,171**	72,943

11. (LOSS) PROFIT FOR THE YEAR

	2011 HK$'000	2010 HK$'000
(Loss) profit for the year has been arrived at after charging:		
Allowance for bad and doubtful debts	**6,892**	15,638
Auditor's remuneration	**3,267**	2,403
Costs of inventories consumed in production	**1,163,461**	994,051
Film production costs	**52,497**	—
Operating lease expenses on:		
Properties	**12,827**	11,297
Plant and equipment	**28,493**	13,355
Provision for legal and professional fees included in other expenses (net of reversal of HK$1,838,000 (2010: HK$2,245,000))	**73,103**	41,257
Staff costs (note 15)	**1,465,836**	1,185,110
Loss on disposal of property, plant and equipment	**1,493**	6,430
Decrease in fair value of derivative financial instruments	**—**	27

12. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the 8 (2010: 8) Directors were as follows:

2011

	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	Wong Chi Hong, Frank HK$'000	Lee Ka Yam, Danny HK$'000	Total HK$'000
Fees	200	200	200	300	200	200	300	300	1,900
Other emoluments									
Salaries and other benefits	4,100	2,697	3,173	—	5,613	4,807	—	—	20,390
Performance related incentive payments (Note 1)	—	857	895	—	2,472	2,198	—	—	6,422
Share based payment	—	175	58	35	3,142	2,447	35	35	5,927
Pension costs — defined contribution plans	—	114	102	—	155	150	—	—	521
Total emoluments	4,300	4,043	4,428	335	11,582	9,802	335	335	35,160

2010

	Lai Chee Ying, Jimmy HK$'000	Ting Ka Yu, Stephen HK$'000	Ip Yut Kin HK$'000	Fok Kwong Hang, Terry HK$'000 (Note 2)	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	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 1)	—	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
Total emoluments	4,294	3,990	4,730	300	10,091	1,340	300	300	25,345

Note 1: The performance related incentive payment is determined as a percentage of profit for the year of the respective business unit for both years.

Note 2: Mr. Cheung Ka Sing, Cassian was appointed as the Co-Chief Executive Officer of the Group on 1 February 2010.

The emoluments disclosed above include expenses of HK$3,947,000 (2010: HK$3,314,000) paid by the Group under four operating leases (2010: four) in respect of residential accommodation provided to three (2010: three) Executive Directors.

During the years ended 31 March 2011 and 2010, no Director waived or agreed to waive any emoluments.

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2010: four) 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:

	2011	2010
	HK$'000	HK$'000
Salaries and other benefits	**2,837**	4,706
Share based payment	**159**	514
	2,996	5,220

14. DIVIDENDS

No dividend was paid or declared during the years ended 31 March 2010 and 2011, nor has any dividend been proposed since the end of the reporting period.

15. STAFF COSTS

	2011	2010
	HK$'000	HK$'000
Wages, salaries and other benefits	**1,394,715**	1,122,317
Pension costs — defined contribution plans, net of forfeited contributions (note 31(a) and (b))	**57,271**	46,442
Pension costs — defined benefits plans (note 31(c))	**2,710**	2,108
Share based payment	**11,140**	14,243
	1,465,836	1,185,110

The staff costs for the year ended 31 March 2011 included Directors' emoluments of HK$35,160,000 (2010: HK$25,345,000) as set out in note 12.

16. (LOSS) EARNINGS PER SHARE

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

(Loss) earnings

	2011 **HK$'000**	2010 HK$'000
(Loss) profit for the year attributable to owners of the Company for the purposes of basic and diluted (loss) earnings per share	**(19,730)**	317,876

Number of shares

	2011	2010
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**2,412,496,881**	2,412,496,881
Effect of dilutive potential ordinary shares: Share options and share subscription plan (Note)	**–**	26,900
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**2,412,496,881**	2,412,523,781

Note: The computation of diluted loss per share for the current year does not assume the conversion of the Company's outstanding share options and share subscription plan as their exercise would result in a decrease in loss per share.

17. INTANGIBLE ASSETS

	Masthead and publishing rights HK$'000
THE GROUP	
COST	
At 1 April 2009, 31 March 2010 and 31 March 2011	1,482,799
ACCUMULATED IMPAIRMENT	
At 1 April 2009, 31 March 2010 and 31 March 2011	181,918
CARRYING VALUES	
At 31 March 2011 and 31 March 2010	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	
	2011	2010
	HK$'000	HK$'000
Newspaper publication and printing		
— Apple Daily I.P. Limited ("Apple Daily")	**1,020,299**	1,020,299
Books and magazines publication and printing		
— Next Media I.P. Limited ("Next Media")	**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% (2010: 3%) for Next Media and 3% (2010: 3%) for Apple Daily, and a pre-tax discount rate of 12% (2010: 12%). Cash flow projections beyond the 5-year period are extrapolated using a steady 3% (2010: 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 HK$'000	Buildings HK$'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 2009	199,924	631,833	69,241	1,151,308	283,027	8,408	–	2,343,741
Exchange difference	13,161	14,119	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	277,199	645,952	68,651	1,186,238	315,011	10,082	371,542	2,874,675
Exchange difference	23,540	18,322	2,436	42,186	15,159	312	31,380	133,335
Additions	–	–	32,718	186,459	89,928	9,143	103,556	421,804
Transfer	–	211,832	28,512	162,578	–	–	(402,922)	–
Disposals	–	–	(2,445)	(26,520)	(13,375)	(83)	–	(42,423)
At 31 March 2011	300,739	876,106	129,872	1,550,941	406,723	19,454	103,556	3,387,391
ACCUMULATED DEPRECIATION								
At 1 April 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
Exchange difference	–	2,079	793	20,555	13,519	163	–	37,109
Charge for the year	–	18,818	7,711	107,975	42,663	1,927	–	179,094
Eliminated on disposals	–	–	(1,579)	(23,041)	(13,169)	(71)	–	(37,860)
At 31 March 2011	–	100,413	37,627	813,546	296,001	7,619	–	1,255,206
CARRYING VALUES								
At 31 March 2011	300,739	775,693	92,245	737,395	110,722	11,835	103,556	2,132,185
At 31 March 2010	277,199	566,436	37,949	478,181	62,023	4,482	371,542	1,797,812

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 2009	145,032	14,925	6	159,963
Additions	—	—	—	—
At 31 March 2010	145,032	14,925	6	159,963
Additions	—	—	12	12
At 31 March 2011	145,032	14,925	18	159,975
ACCUMULATED DEPRECIATION				
At 1 April 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
Charge for the year	3,352	781	3	4,136
At 31 March 2011	23,492	5,630	7	29,129
CARRYING VALUES				
At 31 March 2011	121,540	9,295	11	130,846
At 31 March 2010	124,892	10,076	2	134,970

19. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 31 March 2011, the carrying value of the Group's and the Company's land and buildings comprised the following:

	2011		2010	
	THE GROUP	THE COMPANY	THE GROUP	THE COMPANY
	HK$'000	HK$'000	HK$'000	HK$'000
Buildings situated in Hong Kong under medium lease	**359,134**	**121,540**	369,020	124,892
Buildings situated outside Hong Kong on freehold land	**416,559**	**—**	197,416	—
Freehold land situated outside Hong Kong	**300,739**	**—**	277,199	—
	1,076,432	**121,540**	843,635	124,892

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

Buildings	Over the shorter of the term of lease or useful lives of twenty-five to fifty years
Leasehold improvements	Over the shorter of the term of lease or estimated useful lives of five years
Plant and machinery	6.67%–33.33%
Furniture, fixtures and equipment	20%–33.33%
Motor vehicles	20%

Notes:

(a) At 31 March 2011, certain of the Group's freehold land and buildings with a total carrying value of HK$801,820,000 (2010: HK$352,642,000) were pledged as security for the Group's banking facilities (note 30).

(b) At 31 March, 2011, certain of the Group's plant and machinery with an aggregate carrying value of HK$310,507,000 (2010: HK$241,655,000) were pledged as security for the Group's banking facilities (note 30).

(c) At 31 March 2010, certain of the Group's furniture, fixtures and equipment with a total carrying value of HK$21,000 were under finance lease obligation. No furniture, fixtures and equipment were under finance lease obligation for the year ended 31 March 2011.

20. PREPAID LEASE PAYMENTS

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
The prepaid lease payments comprise of medium-term leasehold land in Hong Kong	**65,149**	66,946	**29,203**	30,009
Analysed of reporting purposes as:				
Current asset	**1,797**	1,797	**806**	806
Non-current asset	**63,352**	65,149	**28,397**	29,203
	65,149	66,946	**29,203**	30,009

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

	THE COMPANY	
	2011	2010
	HK$'000	HK$'000
Unlisted shares, at cost less allowance	**2,620,000**	2,620,000
Deemed capital contribution (Note 1)	**18,596**	18,596
	2,638,596	2,638,596
Amounts due from subsidiaries (Note 2)	**1,668,863**	1,608,005
Less: allowance for amounts due from subsidiaries	**(688,035)**	(688,035)
	980,828	919,970
Amounts due to subsidiaries (Note 2)	**(1,029)**	(948)

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

Note 1: 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.

Note 2: The amounts due from (to) subsidiaries are unsecured, interest-free and repayable on demand.

Included in the amounts due from subsidiaries of the Company are individually impaired balance with an aggregate balance of HK$688,035,000 for both years which the Directors consider that the balances cannot be recovered. There is no movement in the allowance for amounts due from subsidiaries for both years. 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 mainly for the Group's television operation.

23. INTEREST IN A JOINTLY CONTROLLED ENTITY

	2011 HK$'000
Cost of unlisted investment	4,225
Share of post-acquisition loss and other comprehensive expense	(3,053)
	1,172

The goodwill as included in the cost of investment in the jointly controlled entity amounts to HK$3,518,000.

On 9 July 2010, the Group has acquired 36.22% interest in Orbit-Media Limited ("OML"), a company incorporated in Hong Kong which is engaged in development of video distribution and streaming technology, for a consideration of HK$4,225,000. OML is jointly controlled by the Group and the other shareholders. The Group does not have full control of the board of OML as the Group can nominate only 2 out of 5 directors in OML. Pursuant to a shareholders' agreement, any financial and operating decisions relating to the economic activities of OML need the approval of all the directors. Therefore, the investment in OML is classified as interest in jointly controlled entity of the Group since the Group can exercise joint control over OML.

23. INTEREST IN A JOINTLY CONTROLLED ENTITY (continued)

The investment in OML has been tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset. The recoverable amount has been determined on the basis of value in use calculations using cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 18.2%. Cash flow projections during the budget period for OML are based on the expected revenue and gross margins during the budget period. Budgeted revenue and 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 OML to exceed the recoverable amount of the investment in OML.

The summarised financial information attributable to the Group's interest in a jointly controlled entity which is accounted for using the equity method is set out below:

	2011 HK$'000
Non-current assets	2,642
Current assets	4,449
Non-current liabilities	(4,346)
Current liabilities	(5,091)
	(2,346)
Income recognised in profit or loss	3,993
Expense recognised in profit or loss	(7,046)
Loss attributable to the Group	(3,053)

24. INVESTMENT IN AN UNLISTED CONVERTIBLE NOTE

	2011 HK$'000
Unlisted convertible note due from OML (Note)	6,216

24. INVESTMENT IN AN UNLISTED CONVERTIBLE NOTE (continued)

Note:

The convertible note with an aggregate principal amount of HK$7,800,000 was issued on 21 July 2010 by OML, a jointly controlled entity of the Group. The convertible note bears interest at a contractual interest rate of 4% per annum for the period commencing on the date falling on the expiry of 18 months from the issue date of the convertible note (i.e. 21 January 2012) to the maturity date. The convertible note is due for payment on 20 July 2012. The Group is entitled at any time commencing on the date falling on the expiry of 18 months from the issue date of the convertible note to the maturity date to convert the convertible note into ordinary shares of OML at an initial conversion price of HK$127.45 per share. The conversion price is subject to adjustments to reflect any share split, share consolidation, share dividend, share reclassification, reorganisation, capitalisation issuance or similar transaction affecting the share capital of OML. The Group is entitled, by giving not less than 10 days notice to OML, to redeem all outstanding convertible note at an amount equal to 100% of the outstanding principal amount at any time before the maturity date of the convertible note together with interest accrued to the date of redemption.

The amount of unlisted convertible note due from OML represented the debt component of the convertible note. The effective interest rate of the debt component is 13.150% per annum.

The fair value of the derivatives embedded in the convertible note on 21 July 2010 was determined by reference to a valuation conducted by RHL Appraisal Limited ("RHL"), an independent qualified professional valuer not connected with the Group, using Binomial Model. The inputs and methodology used for the calculation of fair values of derivatives embedded in the convertible note were as follows:

Methodology	Binomial Model
Risk-free rate	0.495%
Time to maturity	2 years
Dividend yield	0%
Volatility	67.000%

At the issue date, the spot price of OML share is assumed to be HK$127.45 per share which is determined by reference to the consideration of acquisition of 36.22% interest of OML by the Group. The convertible note comprised a debt component and embedded derivatives being the Group's conversion option and redemption option. The fair value of the debt component was HK$6,216,000, as determined by using the discounted cash flow method, and the fair value of the derivatives embedded in the convertible note amounted to HK$1,584,000, representing the fair value of the conversion option of HK$1,143,000 and the fair value of the redemption option of HK$441,000, and was shown as embedded derivatives under non-current assets. In view of no significant changes in the business operation of OML, the Group considers the carrying amounts of the outstanding convertible note and the conversion option and redemption option at 31 March 2011 approximated to their fair values at the issue date.

25. PROGRAMMES AND FILM RIGHTS

The Group's programmes and film rights comprise of acquired and self-produced video programmes and film licenses granted by third parties for broadcasting on the Group's television channels.

26. INVENTORIES

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Raw materials	**165,941**	128,606
Work in progress	**3,366**	3,675
Finished goods	**1,693**	1,635
	171,000	133,916

27. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**588,504**	530,149	**—**	—
Less: allowance for doubtful debts	**(104,547)**	(96,449)	**—**	—
	483,957	433,700	**—**	—
Prepayments (Note)	**166,219**	51,369	**—**	—
Rental and other deposits	**17,586**	14,224	**241**	—
Others	**43,848**	44,156	**3,307**	3,342
Trade and other receivables	**711,610**	543,449	**3,548**	3,342

Note: Included in the balance are mainly prepayments for film license and inventories.

27. TRADE AND OTHER RECEIVABLES (continued)

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:

	2011	2010
	HK$'000	HK$'000
0–1 month	**250,644**	224,810
1–3 months	**227,767**	204,447
3–4 months	**5,121**	3,776
Over 4 months	**425**	667
	483,957	433,700

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$425,000 (2010: HK$667,000) 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 base on their settlement records. The Group does not hold any collateral over these balances.

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

	2011	2010
	HK$'000	HK$'000
Over 4 months	**425**	667

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.

27. TRADE AND OTHER RECEIVABLES (continued)

Movement in the allowance for doubtful debts

	2011 HK$'000	2010 HK$'000
Balance at beginning of the year	**96,449**	79,753
Allowance for bad and doubtful debts	**6,892**	15,638
Exchange difference	**3,264**	2,311
Amounts written off as uncollectible	**(2,058)**	(1,253)
Balance at end of the year	**104,547**	96,449

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$104,547,000 (2010: HK$96,449,000) 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:

	2011		2010	
	Denominated currency $'000	**Equivalent to HK$'000**	Denominated currency $'000	Equivalent to HK$'000
USD	**691**	**5,374**	1,069	8,300
AUD	**251**	**2,015**	226	1,575
GBP	**41**	**506**	24	293

28. RESTRICTED BANK BALANCES/BANK BALANCES AND CASH

THE GROUP AND THE COMPANY

As at 31 March 2011 and 2010, bank balances amounting to 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 0.8% per annum for the year (2010: 0.1% per annum).

Included in bank balances and cash is an amount of approximately HK$660,105,000 (2010: HK$573,931,000) placed in time deposits for periods from 1 day to 3 months. Such deposits bear fixed interest between 0.11% and 1.1% (2010: 0.02% and 0.78%) 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 0.13% (2010: 0.1%) per annum.

29. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**163,620**	122,441	**—**	—
Accrued charges and other payables (Note)	**489,974**	343,612	**21,983**	12,002
Trade and other payables	**653,594**	466,053	**21,983**	12,002

Note: The accrued charges include an amount of HK$88,293,000 (2010: HK$51,200,000) as provision mainly for legal and professional expenses relating to a number of legal proceedings disclosed in note 36(a). Utilisation of such provision amounted to HK$36,010,000 (2010: HK$26,038,000) during the year ended 31 March 2011.

29. TRADE AND OTHER PAYABLES (continued)

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

	2011 HK$'000	2010 HK$'000
0–1 month	**128,910**	88,831
1–3 months	**28,733**	24,632
Over 3 months	**5,977**	8,978
	163,620	122,441

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

	2011 Denominated currency $'000	2010 Denominated currency $'000
USD	**4,034**	5,298
Equivalent to	**HK$31,563**	HK$41,135

30. BORROWINGS

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

	2011	2010
	HK$'000	HK$'000
Carrying amount repayable		
— within one year	**127,107**	116,869
— in the second year	**370,857**	116,869
— in the third year	**289,607**	85,210
— in the fourth year	**45,856**	—
— in the fifth year	**45,856**	—
	879,283	318,948
Less: Amount due within one year shown under current liabilities	**(127,107)**	(116,869)
Non-current portion	**752,176**	202,079

All bank loans are variable-rate borrowings which carry interests at Primary Commercial Paper composite rate in Taiwan 51328 plus 0.75% per annum and Hong Kong Interbank Offered Rate plus 2% per annum (2010: Primary Commercial Paper composite rate in Taiwan 51328 plus 0.75% per annum).

The weighted average effective interest rates (which are equal to contractual interest rates) of borrowings is 2.21% (2010: 2.14%) per annum.

All the Group's borrowings are denominated in NTD and HK$, the functional currencies of the relevant group entities.

31. RETIREMENT BENEFIT PLANS

	2011	2010
	HK$'000	HK$'000
Obligations on:		
Pensions — defined contribution plans (notes (a) &(b))	**5,552**	3,884
Defined benefit plans obligations (note (c))	**27,242**	22,705
	32,794	26,589

Notes:

Hong Kong
Defined contribution plan

(a) The Group operates two (2010: 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 2011, forfeited contributions totalling HK$1,022,000 were utilised during the year (2010: HK$411,000). At 31 March 2011 and 2010, the Group has no balance available to reduce future contributions in respect of the HK Scheme.

As at 31 March 2011, the Group had no contributions payable under the HK Scheme and the MPF Scheme (2010: Nil).

31. RETIREMENT BENEFIT PLANS (continued)

Notes: *(continued)*

Taiwan

Defined contribution plan

(b) Starting from 1 July 2005, employees may choose a scheme where the rate of contribution by an employer should not be less than 6% of the employees' monthly salaries and the employees may also voluntarily contribute up to 6% of the monthly salaries to the provision fund account under the Labor Pension Act of Taiwan.

The Taiwan defined contribution scheme was established under trust with the assets of the funds held separately from those of the Group by independent trustees.

There were no forfeited contributions for both years ended 31 March 2011 and 31 March 2010.

As at 31 March 2011, the Group had contributions payable under the Taiwan defined contribution scheme totalling HK$5,552,000 (2010: HK$3,884,000) which is included in trade and other payables under current liabilities in the consolidated statement of financial position.

Defined benefit plans

(c) The Group also operates three (2010: 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 2011, 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.

31. RETIREMENT BENEFIT PLANS (continued)

Taiwan *(continued)*

Defined benefit plans *(continued)*

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

	2011	2010
	%	%
Discount rate	**2.25**	2.25
Expected rate of return on plan assets	**2.00**	2.00
Expected rate of future salary increases	**3.00**	3.00

The actuarial valuation showed that the market value of plan assets was HK$15,722,000 (2010: HK$14,048,000) and that the actuarial value of these assets represented 36.6% (2010: 38.2%) of the benefits that had accrued to members.

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

	2011	2010
	HK$'000	HK$'000
Current service cost and transitional liabilities	**1,061**	961
Interest on obligation	**1,285**	1,135
Expected return on plan assets	**(282)**	(326)
Actuarial losses recognised in the year	**646**	338
	2,710	2,108

31. RETIREMENT BENEFIT PLANS (continued)

Taiwan *(continued)*

Defined benefit plans *(continued)*

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:

	2011	2010
	HK$'000	HK$'000
Present value of funded defined benefit obligations	**65,365**	55,941
Fair value of plan assets	**(15,722)**	(14,048)
	49,643	41,893
Net actuarial losses not recognised	**(22,401)**	(19,188)
Net liability arising from defined benefit obligation	**27,242**	22,705

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

	2011	2010
	HK$'000	HK$'000
At 1 April	**55,941**	44,019
Current service cost	**1,042**	943
Interest cost	**1,285**	1,135
Actuarial losses	**2,247**	6,779
Exchange differences on foreign plans	**4,850**	3,065
At 31 March	**65,365**	55,941

31. RETIREMENT BENEFIT PLANS (continued)

Taiwan *(continued)*

Defined benefit plans *(continued)*

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

	2011 HK$'000	2010 HK$'000
At 1 April	**14,048**	12,851
Actual return on plan assets	**252**	91
Exchange differences on foreign plans	**1,186**	879
Contributions from the employer	**236**	227
At 31 March	**15,722**	14,048

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	
	2011 **%**	2010 %	**2011** **HK$'000**	2010 HK$'000
Equity instruments and others	**2.72**	3.22	**4,791**	4,141
Debt instruments	**2.04**	2.07	**6,318**	4,520
Bank deposit	**1.20**	1.00	**4,613**	5,387
Weighted average expected return	**2.00**	2.00	**15,722**	14,048

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.

31. RETIREMENT BENEFIT PLANS (continued)

Taiwan *(continued)*

Defined benefit plans *(continued)*

The actual return on plan assets was HK$252,000 (2010: HK$91,000).

The plan assets include equity instruments and others with a fair value of HK$4,791,000 (2010: HK$4,141,000).

The history of experience adjustments is as follows:

	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000
Present value of defined benefit obligations	**(65,365)**	(55,941)	(44,019)	(39,287)
Fair value of plan assets	**15,722**	14,048	12,851	13,806
Deficit	**(49,643)**	(41,893)	(31,168)	(25,481)

32. SHARE CAPITAL

	Authorised Ordinary shares	
	No. of shares	**HK$'000**
At 31 March 2009, 31 March 2010 and 31 March 2011	4,600,000,000	4,600,000

	Issued and fully paid Ordinary shares	
	No. of shares	**HK$'000**
At 31 March 2009, 31 March 2010 and 31 March 2011	2,412,496,881	2,412,497

33. 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 2011, the number of shares in respect of which options had been granted and remained outstanding under the Schemes was 73,964,000 (2010: 53,174,000), representing 3.07% (2010: 2.2%) 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. 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.

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

33. SHARE INCENTIVE SCHEMES (continued)

Share Option Schemes adopted by the Company (continued)

(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:

Category of grantee	Date of grant	Exercise price per share	Expiry date	Number of options: Balance as at 01.04.2010	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Balance as at 31.03.2011
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	14,600,000	–	–	(14,600,000)	–	–
	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)	–	–
				18,874,000	–	–	(18,874,000)	–	–
Exercisable at the end of the year									–
Weighted average exercise price				HK$2.924	–	–	HK$(2.924)	–	–

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
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				HK$2.957	–	–	HK$(3.102)	–	HK$2.924

33. SHARE INCENTIVE SCHEMES (continued)

Share Option Schemes adopted by the Company (continued)

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

The options granted under the 2000 Share Option Scheme (except the 1,000,000 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 1,000,000 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

The 2000 Share Option Scheme was expired on 28 December 2010. As at 31 March 2011, there are no outstanding options granted under such scheme.

33. SHARE INCENTIVE SCHEMES (continued)

Share Option Schemes adopted by the Company (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, share options granted under the 2000 Share Option Scheme continue to be exercisable in accordance with their terms of issue until the expiry of such scheme on 28 December 2010.

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 01.04.2010	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Balance as at 31.03.2011
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
	04.10.2010	HK$1.100	03.10.2015	–	10,000,000	–	–	–	10,000,000
	10.12.2010	HK$1.050	29.07.2017	–	3,148,000	–	–	–	3,148,000
	01.02.2011	HK$1.150	31.01.2014	–	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
	15.04.2010	HK$1.370	29.07.2017	–	650,000	–	–	–	650,000
	10.12.2010	HK$1.050	29.07.2017	–	16,966,000	–	–	–	16,966,000
	05.01.2011	HK$1.090	04.01.2016	–	400,000	–	–	–	400,000
				34,300,000	40,164,000	–	(500,000)	–	73,964,000
Exercisable at the end of the year									31,800,000
Weighted average exercise price				HK$1.289	HK$1.090	–	HK$(1.110)	–	HK$1.182

33. SHARE INCENTIVE SCHEMES (continued)

Share Option Schemes adopted by the Company (continued)

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

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
Directors	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				HK$1.846	HK$1.046	–	–	–	HK$1.289

33. SHARE INCENTIVE SCHEMES (continued)

Share Option Schemes adopted by the Company (continued)

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

The options granted under the 2007 Share Option Scheme fully vest on the 1st anniversary of the respective dates of grant except the followings grant of options:

The 4,000,000 options granted 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

The 650,000 options granted on 15 April 2010 and 20,114,000 options granted on 10 December 2010 vest as follows:

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

No options were exercised and cancelled under the 2007 Share Option Scheme during both years.

During the year ended 31 March 2011, share options were granted on 15 April 2010, 4 October 2010, 10 December 2010, 5 January 2011 and 1 February 2011 respectively. The estimated fair values of the shares covered by the respective share options issued on those dates are HK$300,000, HK$3,668,000, HK$6,148,000, HK$145,000 and HK$3,168,000.

33. SHARE INCENTIVE SCHEMES (continued)

Share Option Schemes adopted by the Company (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 period respectively. The inputs into the model with different issue dates were as follows:

Grant date	2 October 2009	5 January 2010	1 February 2010	1 March 2010	1 March 2010
Valuation date	2 October 2009	5 January 2010	1 February 2010	1 March 2010	1 March 2010
Share price	HK$0.99	HK$1.07	HK$1.06	HK$1.11	HK$1.11
Exercise price	HK$1.00	HK$1.07	HK$1.06	HK$1.11	HK$1.11
Expected volatility	50.7%	49.8%	57.4%	47.3%	49.6%
Risk-free rate	1.64%	1.97%	0.99%	2.33%	1.67%
Expected dividend yield	5.75%	5.75%	5.94%	4.11%	5.75%
Exercisable period	2 to 5 years	2 to 5 years	2 to 3 years	7.42 years	2 to 5 years
Vesting period	1 year	1 year	1 year	1 to 2 years	1 year
Fair value per option	HK$0.2664	HK$0.2873	HK$0.2566	HK$0.2936	HK$0.2772

Grant date	15 April 2010	4 October 2010	10 December 2010	5 January 2011	1 February 2011
Valuation date	15 April 2010	4 October 2010	10 December 2010	5 January 2011	1 February 2011
Share price	HK$1.37	HK$1.10	HK$1.05	HK$1.09	HK$1.15
Exercise price	HK$1.37	HK$1.10	HK$1.05	HK$1.09	HK$1.15
Expected volatility	45.69%	50.97%	47.55%	50.34%	58.39%
Risk-free rate	2.556%	1.18%	2.21%	1.65%	0.94%
Expected dividend yield	0%	0%	0%	0%	0%
Exercisable period	7.29 years	2 to 5 years	2 to 7 years	2 to 5 years	2 to 3 years
Vesting period	1 to 3 years	1 year	1 to 3 years	1 year	1 year
Fair value per option	HK$0.4612	HK$0.3668	HK$0.3057	HK$0.3630	HK$0.3520

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.

33. SHARE INCENTIVE SCHEMES (continued)

Share Option Schemes adopted by the Company (continued)

(c) Share Subscription Plan adopted by the Company

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

				Number of subscription right					
Category of grantee	**Date of grant**	**Subscription price per share**	**Expiry date**	**Balance as at 01.04.2010**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Cancelled during the year**	**Balance as at 31.03.2011**
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	38,934,000	–	–	(1,420,000)	–	37,514,000
	26.02.2008	HK$2.49	24.02.2013	1,000,000	–	–	–	–	1,000,000
				42,188,000	–	–	(1,420,000)	–	40,768,000
Eligible for subscription at the end of the year									40,768,000
Weighted average subscription price				HK$2.129	–	–	HK$(2.120)	–	HK$2.129

33. SHARE INCENTIVE SCHEMES (continued)

Share Option Schemes adopted by the Company (continued)

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

				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				HK$2.128	–	–	HK$(2.120)	–	HK$2.129

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

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

No share invitations were issued, exercised and cancelled under the Share Subscription Plan during both years.

The Group and the Company recognised the total expense of HK$11,140,000 and HK$10,415,000, respectively, for the year ended 31 March 2011 (2010: HK$14,243,000 and HK$13,042,000) in relation to options granted under the Share Option Schemes and invitations issued under the Share Subscription Plan of the Company and the subsidiaries.

33. SHARE INCENTIVE SCHEMES (continued)

Share Option Schemes adopted by the Company (continued)

(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 30 July 2007 (the "2007 Subsidiary Share Option Schemes"). 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.

On 16 September 2010, each of Next TV Broadcasting Limited ("Next TV"), Next Mulit-media Entertainment Services Limited ("NMES") and Next Media Lifestyle Entertainment Services Limited (NMLE) (collectively the "TV Subsidiaries") adopted share option schemes (the "2010 Subsidiary Share Option Schemes"). Under the 2010 Subsidiary Share Option Schemes, the TV Subsidiaries may grant to any of their full-time employees options to subscribe for the respective ordinary shares of Next TV, NMES and NMLE. The number of shares which may be issued upon exercise of all outstanding options granted under the 2010 Subsidiaries Share Option Schemes and any other share option scheme of the Subsidiaries is limited to 30% of the respective TV Subsidiaries' shares in issue from time to time.

(i) 2007 Subsidiary Share Option Schemes

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

				Number of options					
Category of grantee	Date of grant	Exercise price per share	Expiry date	Balance as at 01.04.2009	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)	–	–	–

No options were exercised or cancelled under the 2007 Subsidiary Share Option Schemes during the year ended 31 March 2011. As at 31 March 2010 and 2011, there were no outstanding options granted under the 2007 Subsidiary Share Option Schemes.

33. SHARE INCENTIVE SCHEMES (continued)

Share Option Schemes adopted by the Company (continued)

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

(ii) 2008 Subsidiary Share Option Schemes

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

Category of grantee	Date of grant	Exercise price per share	Expiry date	Number of options: Balance as at 01.04.2010	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Balance as at 31.03.2011
NMAL									
Employees	14.10.2009	Not yet determined	Not yet determined	687,500	–	–	(37,000)	–	650,500
	04.01.2010	Not yet determined	Not yet determined	35,000	–	–	–	–	35,000
	15.10.2010	Not yet determined	Not yet determined	–	70,000	–	–	–	70,000
	15.12.2010	Not yet determined	Not yet determined	–	200,000	–	–	–	200,000
				722,500	270,000	–	(37,000)	–	955,500
Exercisable at the end of the year									205,650
Weighted average exercise price				HK$0.01	HK$0.01	–	HK$(0.01)	–	HK$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				–	HK$0.01	–	HK$(0.01)	–	HK$0.01

33. SHARE INCENTIVE SCHEMES (continued)

Share Option Schemes adopted by the Company (continued)

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

(ii) 2008 Subsidiary Share Option Schemes (continued)

				Number of options					
Category of grantee	Date of grant	Exercise price per share	Expiry date	Balance as at 01.04.2009	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				HK$0.01	HK$0.01	–	HK$(0.01)	–	–

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

The options granted under the 2008 Subsidiary Share Option Scheme of NMAL (except the 70,000 options granted on 15 October 2010) 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 70,000 options granted under the 2008 Subsidiary Share Option Scheme of NMAL on 15 October 2010 vest as follows:

On 1st anniversary of the date of grant	60% vest
On 2nd anniversary of the date of grant	remaining 40% vest

(iii) 2009 AHIL Share Option Schemes

No options were granted, exercised, lapsed or cancelled under the 2009 AHIL Subsidiary Share Option Schemes during the year ended 31 March 2010 and 2011.

33. SHARE INCENTIVE SCHEMES (continued)

Share Option Schemes adopted by the Company (continued)

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

(iv) 2010 Subsidiary Share Option Schemes

Details of the terms and movements of the share options granted pursuant to the 2010 Subsidiary Share Option Schemes are as follows:

				Number of options					
Category of grantee	Date of grant	Exercise price per share	Expiry date	Balance as at 01.04.2010	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Balance as at 31.03.2011
Next TV									
Employees	15.12.2010	Not yet determined	Not yet determined	–	294,000	–	(2,400)	–	291,600
Exercisable at the end of the year				–					–
Weighted average exercise price				–	NT$10.00	–	NT$(10.00)	–	NT$10.00

				Number of options					
Category of grantee	Date of grant	Exercise price per share	Expiry date	Balance as at 01.04.2010	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Balance as at 31.03.2011
NMES									
Employees	15.12.2010	Not yet determined	Not yet determined	–	6,000	–	–	–	6,000
Exercisable at the end of the year				–					–
Weighted average exercise price				–	NT$10.00	–	–	–	NT$10.00

The options granted under the 2010 Subsidiary Share Option Schemes 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

33. SHARE INCENTIVE SCHEMES (continued)

Share Option Schemes adopted by the Company (continued)

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

Binomial Model has been used for assessing the fair values of the options granted under the 2007, 2008 and 2010 Subsidiary Share Option Schemes during the years ended 31 March 2010 and 2011. During the year, the Group recognised the total expense of HK$725,000 for the year ended 31 March 2011 (2010: HK$1,201,000) in relation to share options granted by the Subsidiaries.

Grant date	22 April 2009	14 October 2009	14 October 2009	4 January 2010
Subsidiary scheme	ACIL	ADPDL	NMAL	NMAL
Valuation date	22 April 2009	14 October 2009	14 October 2009	4 January 2010
Share price	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
Expected volatility	49.2% (Note 1)	48.3% (Note 2)	66.60% (Note 2)	65.30% (Note 2)
Risk-free rate	1.89%	0.11%	2.10%	2.70%
Expected dividend yield	0%	0%	0%	0%
Exercisable period	—	4 months	—	—
Vesting period	3 years	1.5 months	3 years	3 years
Fair value per option	HK$0.005	HK$71.99	HK$0.007	HK$0.007

Grant date	15 October 2010	15 December 2010	15 December 2010	15 December 2010
Subsidiary scheme	NMAL	NMAL	Next TV	NMES
Valuation date	15 October 2010	15 December 2010	15 December 2010	15 December 2010
Share price	HK$4.25	HK$3.80	NTD13.45	NTD12.38
Exercise price	HK$4.25	HK$3.80	NTD13.45	NTD12.375
Expected volatility	67.24% (Note 1)	63.16% (Note 2)	65.23% (Note 2)	63.49% (Note 2)
Risk-free rate	1.040%	1.220%	1.477%	1.477%
Expected dividend yield	0%	0%	0%	0%
Exercisable period	—	—	—	—
Vesting period	1 to 2 years	1 to 3 years	1 to 3 years	1 to 3 years
Fair value per option	HK$2.271	HK$2.050	NTD7.728	NTD6.167

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.

34. RESERVES

	Share premium HK$'000	Share based payment reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
THE COMPANY				
At 1 April 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
Loss for the year	—	—	(1,819)	(1,819)
Recognition of equity-settled share based payment	—	10,415	—	10,415
Lapse of share options	—	(23,138)	23,138	—
At 31 March 2011	918,712	46,051	378,637	1,343,400

35. DEFERRED TAX

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

THE GROUP

Deferred tax liabilities	Accelerated tax depreciation		Intangible assets		Total	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
At beginning of the year	**69,162**	73,257	**223,386**	223,386	**292,548**	296,643
Charge (credit) to profit or loss	**1,237**	(4,095)	**—**	—	**1,237**	(4,095)
At end of the year	**70,399**	69,162	**223,386**	223,386	**293,785**	292,548

35. DEFERRED TAX (continued)

THE GROUP (continued)

Deferred tax assets	**Tax losses**		**Others**		**Total**	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At beginning of the year	**(1,519)**	(1,984)	**–**	(49)	**(1,519)**	(2,033)
(Credit) charge to profit or loss	**(485)**	465	**–**	49	**(485)**	514
At end of the year	**(2,004)**	(1,519)	**–**	–	**(2,004)**	(1,519)

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**	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
At beginning of the year	**291,029**	294,610	**13,984**	12,300
Charge (credit) to profit or loss	**752**	(3,581)	**754**	1,684
At end of the year (shown as non-current liabilities)	**291,781**	291,029	**14,738**	13,984

35. DEFERRED TAX (continued)

THE GROUP (continued)

As at 31 March 2011, the Group had estimated unused tax losses of approximately HK$1,275,789,000 (2010: HK$976,970,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$12,147,000 (2010: HK$9,205,000) of such loss. No deferred tax asset has been recognised in respect of the remaining approximately HK$1,263,642,000 (2010: HK$967,765,000) due to the unpredictability of future profits streams. The expiry dates of these tax losses are as follows:

	2011 **HK$'000**	2010 HK$'000
Indefinite	**644,665**	584,422
Expiry in:		
2013	**65,345**	168,917
2014	**147,874**	223,631
2015	**417,905**	—
	1,275,789	976,970

THE COMPANY

Deferred tax liabilities	**Accelerated tax depreciation**	
	2011 **HK$'000**	2010 HK$'000
At beginning of the year	**13,984**	13,113
Charge to profit or loss	**754**	871
At end of the year	**14,738**	13,984

Deferred tax assets	**Tax losses**	
	2011 **HK$'000**	2010 HK$'000
At beginning of the year	**—**	(813)
Charge to profit or loss	**—**	813
At end of the year	**—**	—

As at 31 March 2010 and 2011, the Company had no unused tax losses available for offset against future profits.

36. CONTINGENT LIABILITIES

THE GROUP

(a) Pending litigations

(i) As at 31 March 2011, 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.

The Group has accrued approximately HK$88,293,000 legal and professional expenses in trade and other payables as at 31 March 2011 (2010: HK$51,200,000) 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.

(ii) 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.

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 ("2009 Financial Statements").

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.

36. CONTINGENT LIABILITIES (continued)

THE GROUP (continued)

(b) Guarantees

In connection with the acquisition of Database Gateway Limited ("DGL") and its subsidiaries (the "Acquired Group") on 26 October 2001, Mr. Lai 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 26 October 2010 in favour of the Company and the Acquired Group in respect of his obligations under the Indemnity.

(c) Guarantees given

As at 31 March 2011, 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$1,384,521,000 (2010: HK$591,087,000), of which HK$879,283,000 (2010: HK$318,948,000) has been utilised by its subsidiaries. As at 31 March 2011, no amount has been recognised in the statement of financial position as liabilities as the Directors considered the amount is immaterial. As at 31 March 2010, an amount of HK$1,773,000 had been recognised in the statement of financial position as liabilities.

37. COMMITMENTS

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

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Authorised but not contracted for	**3,831**	51,126
Contracted but not provided for	**140,832**	85,293
	144,663	136,419

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

37. COMMITMENTS (continued)

(b) Commitments under operating leases

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2011 Properties HK$'000	2011 Plant and equipment HK$'000	2011 Total HK$'000	2010 Properties HK$'000	2010 Plant and equipment HK$'000	2010 Total HK$'000
Within one year	**8,300**	**53,713**	**62,013**	6,884	9,908	16,792
In the second to fifth years inclusive	**1,377**	**76,301**	**77,678**	4,302	6,540	10,842
	9,677	**130,014**	**139,691**	11,186	16,448	27,634

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.

The Group as lessor

Rental income earned during the year was HK$1,725,000 (2010: HK$1,764,000).

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:

	2011 HK$'000	2010 HK$'000
Within one year	**1,470**	953
In the second to fifth years inclusive	**234**	548
	1,704	1,501

38. 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	
	2011	2010
	HK$'000	HK$'000
Short-term benefits	**32,070**	30,458
Share-based payments	**6,086**	5,919
	38,156	36,377

(b) Related party transactions

Nature of transaction	Name of related company	Relationship with the Group	The Group 2011 HK$'000	The Group 2010 HK$'000
Software licence fee paid by the Group	Orbit-Media Limited	Jointly controlled entity of the Group	**250**	—
Payment by the Group for a non-exclusive licence to install a program in the set top boxes for television broadcasting activities	Orbit-Media Limited	Jointly controlled entity of the Group	**3,000**	—
Consultancy fee paid by the Group	Orbit-Media Limited	Jointly controlled entity of the Group	**180**	—
Consultancy fee paid by the Group	Young Bright Technology Limited	An associate of the jointly controlled entity of the Group	**480**	—
Car park rental expenses and consultancy fees paid by the Group in Taiwan	Best Combo Limited, Taiwan Branch	Indirect wholly owned by Mr. Lai Chee Ying, Jimmy, a director and controlling shareholder of the Company	**711**	1,379

38. 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.

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company at 31 March 2011 and 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 2011 %	2010 %	Principal activities
Apple Daily I. P. Limited	British Virgin Islands	1 ordinary share of US$1	100	100	Holding of masthead and publishing rights of newspaper (Note c)
Apple Daily Limited	Hong Kong	200,000,000 ordinary shares of HK$0.01 each	100	100	Publication and selling of newspaper and selling of newspaper advertising space (Note c)
Apple Daily Printing Limited	Hong Kong	100,000,000 ordinary shares of HK$1 each	100	100	Printing of newspaper (Note c)
Apple Daily Publication Development Limited	Hong Kong	10,834,250 ordinary shares of HK$0.01 each	93.79 (Note a)	93.05	Publication and selling of newspaper and selling of newspaper advertising space (Note e)
Database Gateway Limited	British Virgin Islands	739,001,531 ordinary shares of HK$1 each	100 (Note b)	100	Investment holding (Note c)
Easy Finder I.P. Limited	British Virgin Islands	11,000 ordinary shares of US$1 each	100	100	Holding of masthead and publishing rights of magazines (Note c)
FACE Magazine Limited	Hong Kong	10,000 ordinary shares of HK$1 each	100	100	Publication and selling of magazines (Note c)

39. 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 2011 %	2010 %	Principal activities
FACE Magazine Marketing Limited	Hong Kong	20,000,000 ordinary shares of HK$1 each and 4,000,000,000 ordinary shares of HK$0.01 each	95.17	95.17	Selling of magazines advertising spaces (Note c)
Eat And Travel Weekly Company Limited	Hong Kong	2 ordinary shares of HK$1 each	100	100	Publication and selling of magazines and selling of magazines advertising space (Note c)
ME! Publishing Limited	Hong Kong	10,000 ordinary shares of HK$1 each	100	100	Publication and selling of magazines and selling of magazines advertising space (Note c)
Next Magazine Advertising Limited	Hong Kong	1,000 ordinary shares of HK$1 each	100	100	Selling of magazines advertising space (Note c)
Next Media Animation Limited	Hong Kong	10,000,000 ordinary shares of HK$0.01 each	100	100	Animation Production (Note d)
Next Magazine Publishing Limited	Hong Kong	1,000 ordinary shares of HK$1 each	100	100	Publication and selling of magazines (Note c)
Next Media Broadcasting Limited	Taiwan	106,300,000 ordinary shares of NT$10 each	100	100	Holding of television investments (Note d)
Next Media Distribution Service Limited	Taiwan	500,000 ordinary shares of NT$10 each	100	100	Distribution and marketing of television productions (Note d)
Next Media I. P. Limited	British Virgin Islands	1,000 ordinary shares of HK$1 each	100	100	Holding of masthead and publishing rights of magazines (Note c)
Next Media Interactive Limited	British Virgin Islands	10,001 ordinary shares of US$1 each	100	100	Provision of internet subscription, contents and selling of advertising space (Note e)

39. 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 2011 %	2010 %	Principal activities
Next Media Management Services Limited	Hong Kong	2 ordinary shares of HK$1 each	100	100	Provision of management services (Note c)
Next Media Publishing Limited	Hong Kong	10,282,778 ordinary shares of HK$0.01 each	97.50	97.50	Publication and selling of magazines and selling of magazines advertising space (Note e)
Next Media Webcast Limited	Hong Kong	10,000,000 ordinary shares of HK$0.01 each	100	100	Webcasting (Note e)
Next TV Broadcasting Limited	Taiwan	5,000,000 ordinary shares of NT$10 each	100	100	Television licences holder and operator (Note d)
Paramount Printing Company Limited	Hong Kong	15,000 ordinary shares of HK$100 each	100	100	Provision of printing services (Note c)
Sudden Weekly Limited	Hong Kong	2 ordinary shares of HK$1 each	100	100	Publication and selling of magazines and selling of magazines advertising space (Note c)

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 Group has acquired additional interest of 0.75% of the subsidiary during the year.

Note (b): The subsidiary was directly held by the Company.

Note (c): The subsidiary operated in Hong Kong.

Note (d): The subsidiary operated in Taiwan.

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

FIVE YEARS FINANCIAL SUMMARY

For the year ended 31 March 2011

	Year ended 31 March				
	2007	2008	2009	2010	**2011**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Revenue	3,245,163	3,483,794	3,291,501	3,126,199	**3,478,569**
(Loss) profit attributable to owners of the Company	344,435	521,323	257,484	317,876	**(19,730)**
Non-controlling interests	(2,022)	—	—	2,881	**186**
(Loss) profit for the year	342,413	521,323	257,484	320,757	**(19,544)**

	As at 31 March				
	2007	2008	2009	2010	**2011**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	4,601,427	4,598,314	4,333,297	4,645,486	**5,489,084**
Total liabilities	(1,244,604)	(1,188,775)	(1,215,879)	(1,127,675)	**(1,875,524)**
	3,356,823	3,409,539	3,117,418	3,517,811	**3,613,560**
Equity attributable to owners of the Company	3,356,785	3,409,496	3,117,375	3,514,473	**3,609,147**
Non-controlling interests	38	43	43	3,338	**4,413**
	3,356,823	3,409,539	3,117,418	3,517,811	**3,613,560**

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
2010 AGM	The Company's Annual General Meeting held on 19 July 2010
2007 ADPDL Share Option Scheme	The share option scheme of ADPDL adopted by the Company on 30 July 2007
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
ADPL	Apple Daily Printing Limited, an indirect wholly owned subsidiary of the Company
ADPDL	Apple Daily Publication Development Limited, an indirect non-wholly owned subsidiary of the Company
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 Officer 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
Deloitte	Deloitte Touche Tohmatsu, the external auditor of the Group
Director(s)	Director(s) of the Company
ED(s)	Executive director(s) of the Company
EGM	Extraordinary general meeting of the Company

GLOSSARY

Financial Statements	The audited consolidated financial statements for the year ended 31 March 2011
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 (Cap. 112) of the laws of Hong Kong
Group	Next Media Limited and together with its subsidiaries
HKICPA	Hong Kong Institute of Certified Public Accountants
HK$	Hong Kong dollars
Hong Kong 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
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
NTD	New Taiwan dollars
RSM	RSM Nelson Wheeler Consulting Limited, an independent professional firm engaged by the Group to carry out internal audit services for the Group
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
Shareholder(s)	Shareholder(s) of the Company
Stock Exchange	The Stock Exchange of Hong Kong Limited
Taiwan Subsidiary Share Option Schemes	The share option schemes adopted by Next TV Broadcasting Limited, Next Multi-media Entertainment Services Limited and Next Media Lifestyle Entertainment Services Limited

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